Chairperson Dwight Mattingly called the meeting to order at 10:45 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
- Frank Wan, Burgess Chambers & Associates
- Ken Harrison, Sugarman & Susskind
- Nick Schiess, Pension Resource Center
- Bonni Jensen, Law Office of Perry & Jensen
- Kuji Chanal, Fisher Investments
- 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 July 28, 2011, August 25, 2011 and October 25, 2011. A motion was made by Nancy Bolton to approve the minutes for the meetings held on July 28, 2011, August 25, 2011 and October 25, 2011. The motion was seconded and passed 4-0.

**INVESTMENT MANAGER REPORT: FISHER INVESTMENTS**

Kuji Chanal appeared before the Board on behalf of Fisher Investments to provide a report on the investment performance of the fixed income portfolio for the quarter ending September 30, 2011. He reported that for the quarter, the investment return was -10.4% versus -11.8% for the index, and since inception was -0.9% versus -0.9% for the index. Mr. Chanal discussed the investment process and strategy in great detail including stock sector and country selection. He advised that the process had historically generated returns exceeding the benchmark until the very recent market volatility. Mr. Chanal discussed market and economic conditions and anticipated strong performance prospectively. He was questioned regarding the overweighting of the portfolio to emerging markets and whether the trend was expected to continue and he discussed the overweighting and advised that is was expected to continue for at least another year.

**INVESTMENT CONSULTANT REPORT: FRANK WAN**

Frank Wan provided a report on the performance of the investment portfolio for the quarter ending September 30, 2011. He reported that for the quarter, the investment return for the total portfolio was -10.5% versus -9.3% for the index, and for the fiscal
year-to-date was -5.4% versus -4.4% for the index. Mr. Wan discussed the underlying market conditions behind the recent market volatility.

Mr. Wan reviewed the performance of the individual managers and compliance checklist, noting that most of the performance objectives had been met with just a few exceptions and he expected a rebound in performance for those investment managers. He then discussed the asset allocation, noting the recent additions of hedge funds and real estate had help diversify the portfolio even further.

Mr. Wan was advised that policy decisions were being based upon the expected rate of return and he was questioned whether the expected rate of investment return of 8.0% annually was achievable. He responded that the expected rate of investment return was reasonable and his firm had just conducted a study that confirmed a 70% probability of an 8.0% return based upon historical data.

ACTUARY REPORT: CHAD LITTLE

Chad Little provided and reviewed updated cost studies for the trimming of benefits including the elimination or freezing of the return of employee contributions, elimination of lump sum death benefits, elimination of the late retirement factor, graded multiplier and revising the eligibility for unreduced early retirement to sixty years of age plus fifteen years of service. The cumulative result of all the proposed benefit changes would reduce the cost of the Plan approximately 1.6% of payroll. Mr. Little reviewed the affect of the proposed changes on the present and future liability of the Plan, noting that the proposed changes do not reduce the accumulated liability.

Mr. Little discussed the nature and progress of the funding deficit of the Plan, which was likely to become approximately $8M by the end of the year 2011. He provided and reviewed additional studies that would pay off the funding deficit and unfunded liability in the event that the County agreed to assist financially. Mr. Little emphasized the importance of resolving the funding deficit and stressed that the matter cannot be left unresolved.

Ken Harrison explained that benefit reductions could also be enacted by the County through collective bargaining and it was noted that the matter was being addressed within the current collective bargaining session, which was at impasse. It was then noted that a proposal by the County contained drastic reductions to the pension benefits and Mr. Little was questioned whether the funding situation be affected if those changes ultimately were imposed on the Plan Participants. Mr. Little responded that the proposed changes would reduce benefits and therefore the costs of the Plan. A lengthy discussion ensued regarding the effects of reducing benefits on costs of the Plan.

Liz Bloeser expressed discouragement with the funding situation being the responsibility of the Trustees but the situation being held in limbo dependent on the outcome of collective bargaining and the length of time that has elapsed. She requested assurance that the action that has been taken already is prudent and responsible. Ken Harrison advised...
that inaction might not be considered an appropriate reaction to the funding deficiency and that there was no guarantee that collective bargaining would yield results.

A lengthy discussion arose regarding appropriate actions that could be taken even temporarily until the resolution of impasse. Several Trustees expressed that adopting the proposed benefit reductions would show good faith to the County that the Board was taking steps to reduce the costs of the Plan. Liz Bloeser made a motion to implement the proposed benefit reductions of freezing of the return of employee contributions, elimination of lump sum death benefits, elimination of the late retirement factor, graded multiplier and revising the eligibility for unreduced early retirement to sixty years of age plus fifteen years of service all effective January 1, 2012. Nancy Bolton seconded the motion. A very lengthy discussion ensued. Dwight Mattingly noted that the proposed benefit changes only reduce the normal cost of the Plan with no immediate effect upon the funding deficit of the Plan. He explained that Plan sponsor was mandated to contribute at least the normal cost of the Plan under recently passed State legislation and reducing the normal cost would result in fewer contributions to the Plan. The discussion continued with consideration of whether the proposed reduction in benefits would resolve the funding situation, and if not would it be responsible in view of the Plan Participants. Mr. Little was questioned whether the proposed reduction in benefits would reduce the unfunded liability of the Plan and he responded that the changes would not directly reduce the unfunded liability but would serve to reduce the rate of the growth of the deficit between contributions and costs and will help long-term. Bonni Jensen and Ken Harrison concurred that the reduction of benefits will help long-term, but not resolve the current funding deficit. Mr. Mattingly expressed that the proposed reduction of benefits does not resolve the matter and the prior step of eliminating the return of employee contributions was the most significant reduction of any proposed benefit reductions. The motion did not pass 2-2 with Dwight Mattingly and Frank Stanzione dissenting. Liz Bloeser and Nancy Bolton expressed concerns over whether fiduciary responsibility was fulfilled. Dwight Mattingly agreed that corrective measures were necessary but was conflicted whether reducing the Plan Sponsor’s cost was fiduciary responsible to the participants.

The meeting recessed from 12:25 A.M. to 12:50 P.M. for lunch.

ATTORNEY REPORT: KEN HARRISON

Ken Harrison was questioned regarding possible litigation against the Plan Sponsor for the funding situation of the Plan and a lengthy discussion arose. Mr. Harrison advised that winning such an action was unlikely. A discussion arose whether to commission Mr. Harrison to research the matter further but no agreement was made to pursue the matter further.

Ken Harrison provided and reviewed correspondence dated September 23, 2011 to the County regarding the omitted contributions of Delroy Lopez and Nancy Girard along with a request for an audit of all employees to determine whether all members are contributing to the Plan. John Murphy reported than an audit had been completed, which
had identified only the two affected members and the payroll glitch responsible for the matter is being remedied. He reported that arrangements for the repayment of contributions by Ms. Girard have been made and the County will remit Mr. Lopez’ contributions after he executes a promissory note for repayment.

ATTORNEY REPORT: BONNI JENSEN

Bonni Jensen announced that new proposed State legislation regarding governmental pension plans has been filed but the proposed changes would not affect the Plan.

Ms. Jensen reviewed clarification issued by the State Commission on Ethics on the information that must be disclosed on the Financial Disclosure Forms completed annually by the Trustees.

Ms. Jensen reported that the final Summary Plan Description had been provided to the Plan Administrator. Nick Schiess advised that the document was being printed and would be distributed via regular mail immediately afterwards.

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.

SCHEDULE NEXT MEETING

The next meeting was scheduled for February 23, 2012.

ADJOURNMENT

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

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Secretary