Chairperson Dwight Mattingly called the meeting to order at 9:14 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
Robert Sugarman, Sugarman & Susskind
Nick Schiess, Pension Resource Center
Bonni Jensen, Law Office of Perry & Jensen
John Murphy & Laverne Blackwood, Palm Tran
Chuck Cohen, Palm Tran
Donna Rainey, Palm Beach County

APPROVAL OF THE AGENDA

The Trustees reviewed the agenda for the meeting. A motion was made by Nancy Bolton 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 March 1, 2012 and May 11, 2012 and a correction was noted. A motion was made by Nancy Bolton to approve the minutes for the meeting held on March 1, 2012. The motion was seconded and passed 4-0. A motion was made by Nancy Bolton to approve the minutes for the meeting held on May 11, 2012 as corrected. The motion was seconded and passed 4-0.

INVESTMENT CONSULTANT REPORT: FRANK WAN

Frank Wan provided a report on the performance of the investment portfolio for the quarter ending March 31, 2012. He reported that for the quarter, the investment return for the total portfolio was 8.6% versus 7.7% for the index, and for the trailing one year period was 4.3% versus 4.7% for the index.

Mr. Wan reviewed the performance of the individual investment managers, noting all was satisfactory. He then reviewed the compliance checklist, noting improvement in the achievement of performance objectives. He then discussed the asset allocation, noting it was satisfactory.

As a follow up to the last meeting, Mr. Wan reviewed the proxy voting record of the investment managers for the individually held equity investment accounts. He noted that the records confirmed consistency with the usual policy of proxy voting biased towards the direction of management, which served to increase returns and indirectly was in the best interests of the Plan membership.
Mr. Wan discussed economic and market conditions and anticipated a continued but soft economic recovery.

Mr. Wan was questioned regarding whether local bonds were an appropriate investment for the investment portfolio. He responded that local bonds had generally been too expensive but might be attractive in the future.

**ACTUARY REPORT: CHAD LITTLE**

Chad Little presented the Actuarial Valuation for the fiscal year ended December 31, 2011. He discussed the history of the Plan and the funding percentages by the employees and employer throughout this history, noting that the unfunded liability and contributions had increased because the actual funding had been less than the recommended funding since the year 2008 when the prior credit balance had been exhausted. Mr. Little reviewed the demographics and experience of the Plan, noting that less salary growth than expected resulted in favorable experience but was offset because the investment return was less than expected. He reported that no changes assumptions or cost methodology occurred or were recommended.

Mr. Little reviewed in great detail the components used to develop the cost of the Plan, noting that the normal cost of providing retirement benefits was 14.8% of payroll. The funded ratio of the Plan decreased from 65.2% to 64.5% primarily attributable to less than expected investment returns. He advised that the minimum required contribution to the Plan was approximately 24% of payroll with the minimum recommended employer contribution at 22.2% of payroll excluding consideration of the funding deficiency, which unless additional contributions are received would grow to approximately $7.7M by the end of the year 2012. It was noted that the funding of the Plan was under consideration within the current collective bargaining proceedings. Liz Bloeser suggested that the Actuary be commissioned to prepare cost studies for benefit changes that can be funded by the current level of contributions in the event that collective bargaining does not yield results. Upon request, Mr. Little discussed the effects on costs of implementing a second tier of benefits within the Plan. He explained that there would not be any immediate financial relief but the normal cost for future employees would be lower and it would take many years to lower the overall cost of the Plan. Mr. Little advised that the Valuation was based upon a draft of the financial statements and approval was deferred until after the auditor’s report.

Mr. Little reviewed correspondence from the State dated April 6, 2012 wherein the 2010 Actuarial Valuation was not approved because of the funding deficiency. It was noted that the State also declared that it had not found evidence of any benefit reductions. It was noted that there were in fact two amendments that were passed which served to lower the costs of the Plan. Chad Little and Bonni Jensen agreed to collaborate to inform the State of the benefit reductions.
Mr. Little discussed his conversation with the State regarding amortizing the funding deficiency and was advised that the State was unlikely to accept any amortization over a period any greater than three years.

The meeting recessed from 12:11 P.M. to 12:32 P.M. for lunch.

**ATTORNEY REPORT: BONNI JENSEN**

Bonni Jensen provided and discussed a memorandum regarding new State and tax law updates. The private letter ruling from the Internal Revenue Service affects serving part-time, re-employment after retirement and normal retirement age with a proposed effective date of January 1, 2015. She then discussed new State legislation regarding the validity of beneficiary designations after divorce, noting that additional information would be forthcoming.

Ms. Jensen reminded the Trustees to file their annual Statements of Financial Interests and provided filing instructions.

Ms. Jensen reported that the State eliminated the requirement that funding requirements be expressed solely as a percent of payroll instead of a flat dollar amount.

**ATTORNEY REPORT: ROBERT SUGARMAN**

Robert Sugarman provided a status report on the application for a Tax Determination Letter and anticipated that the process would take another twelve to eighteen months.

Mr. Sugarman reported that the information for the forfeiture hearing for Melisa Siladke had been prepared and sent to the Plan Administrator.

Mr. Sugarman reviewed the situation that arose regarding the selection of an optional form of payment by retiree Robert Morgan and the allegation by his spouse that that she had not signed the spousal consent form and the signature on the form was a forgery. A lengthy discussion arose regarding the resolution of the matter. Mr. Sugarman ultimately recommended that Mr. Morgan be afforded the opportunity to furnish a replacement spousal waiver or for either party to request a hearing before the Board at the next meeting. Mr. Sugarman also recommended that Mr. Morgan’s benefit be revised to a 50% joint and survivorship benefit after the next meeting and until the final resolution of the matter. The Board agreed with Mr. Sugarman’s recommendations and Mr. Sugarman agreed to provide a notification of these options to Mr. and Mrs. Morgan.

Mr. Sugarman presented a proposal for a settlement of the Plan’s interests in a class action lawsuit against Merrill Lynch Consulting Services. The Plan’s share of the lawsuit resulted in a settlement of approximately $111K net of a 25% contingency fee charged by the group of law firms that prosecuted the case on behalf of the class on a contingency fee basis. Mr. Sugarman disclosed that his firm, Sugarman and Susskind, was a part of that group of attorneys that negotiated the settlement and would receive compensation.
He explained that the Board could either participate in the class settlement or reject the settlement and pursue its own individual action against Merrill Lynch Consulting Services. He discussed initiating an individual action. A lengthy discussion ensued whether to proceed with opting out of the class or filing a claim as part of the class. Mr. Sugarman advised the trustees that they could seek an independent legal opinion concerning this matter as well as the 25% contingency fee that the law firms are seeking, since his firm negotiated the settlement and will receive part of that fee. It was noted that an individual action would involve out of pocket expenses perhaps in the hundreds of thousand dollars with no guarantee of a favorable action. **Frank Stanzione made a motion to participate in the settlement of the class action against Merrill Lynch Consulting Services and authorize the Chairperson to execute the settlement documents between meetings.** The motion was seconded and passed 4-0. Mr. Wan was requested to disclose sources of compensation for Burgess Chambers and Associates. He reported that the firm’s only revenue was derived from hard dollar compensation directly from the client with no finder fees or rebates from investment managers or brokerage firms.

Mr. Sugarman requested the Board’s permission for his firm to become involved with securities monitoring at no cost to the Plan. **Nancy Bolton made a motion to permit Sugarman & Susskind P.A. to monitor the Plan’s securities.** The motion was seconded and passed 4-0.

**BENEFIT APPROVALS**

The Board reviewed the benefit approvals presented for approval. A question arose regarding the eligibility for death benefits payable to William Hall, widower of deceased active member Ina Hall. **Liz Bloeser made a motion to approve the benefit approvals as presented contingent upon the review and approval of death benefits payable to William Hall by legal counsel.** The motion was seconded and passed 4-0.

**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.

**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 March 31, 2011.

**ADMINISTRATIVE REPORT**

Nick Schiess reported that he had been unable to contact Albert Jolley and Viviene Nokashere regarding benefits due and had sent information to them through the complimentary letter forwarding service provided by the Internal Revenue Service.
Mr. Schiess requested the Board’s favorable consideration for an increase in administration fees from $3,960 monthly to $4,190 monthly effective June 1, 2012 along with a 3.5% annual cost-of-living adjustment. A lengthy discussion arose regarding the proposed cost-of-living adjustment. **Dwight Mattingly passed the gavel and made a motion to approve an increase in administration fees from $3,960 monthly to $4,190 monthly effective June 1, 2012. The motion was seconded and passed 4-0.** As an alternative to the proposed cost-of-living adjustment, the Trustees requested Mr. Schiess research various consumer price indexes for further consideration by the Board.

**OTHER BUSINESS**

The Board considered the Application for Disability Benefits submitted by Felix Perez. It was noted that Mr. Perez had met the service requirements for a disability pension and had been awarded disability benefits from the Social Security Administration. **Frank Stanzione made a motion to approve the Application for Disability Benefits submitted by Felix Perez. The motion was seconded and passed 4-0.**

The Board considered the Application for Disability Benefits submitted by Eileen Purnell-McAfee. It was noted that Mrs. Purnell-McAfee had met the service requirements for a disability pension and had been awarded disability benefits from the Social Security Administration. **Frank Stanzione made a motion to approve the Application for Disability Benefits submitted by Eileen Purnell-McAfee. The motion was seconded and passed 4-0.**

Dwight Mattingly discussed recent collective bargaining efforts to resolve the funding situation of the Plan, noting that an agreement had not been reached. He expressed his belief that an agreement was closer and some concessions had been attained. Chuck Cohen mentioned that collective bargaining was technically still at impasse. Liz Bloeser questioned whether it was appropriate to not take any action since the matter has not been resolved through collective bargaining over several years and how long can the Board forgo not taking action. She also inquired whether a legal action be filed against the Board for inaction. Robert Sugarman advised that decisions in the matter were in the hands of parties other than the Board who should be somewhat safe against any action because the matter is and has been addressed in collective bargaining. Nancy Bolton requested the Board’s consideration to engage the Plan’s Actuary to prepare a cost study for what level of benefits can be purchased based upon the current contribution rate. A discussion arose regarding the study and updating the prior study to trim the ancillary benefits from the Plan. Chad Little provided a proposal for the studies at a cost not to exceed $3K each and totaling $6K. **Nancy Bolton made a motion to accept the Actuary’s proposal to prepare both studies for consideration at the next meeting. The motion was seconded and passed 4-0.**
AUDITOR’S REPORT

James Burdick appeared before the Board on the behalf of Cherry, Bekaert & Holland LLP to present a draft of the Plan’s financial statements for the fiscal year ending December 31, 2011. He reported than he was still awaiting confirmation letters from a few service providers and the final audit will be issued for the next meeting and there were not any expected changes to the financial statements. Mr. Burdick reported that net Plan assets had increased to $54,215,053 from the prior year amount of $53,700,203. Mr. Burdick provided and reviewed a Management Discussion and Analysis, which was a detailed analysis of financial activity including assets, liabilities, income, expenses including benefit payments, and other important factors regarding the financial activity for the fiscal year. He reported that the firm had issued an opinion that the financial statements are presented fairly in all material respects in accordance with Government Auditing Standards. He noted that no material weaknesses in the financial statements had been discovered. Mr. Burdick also reported that no deficiencies were identified with internal controls and procedures. He inquired whether the Board would prefer a footnote within the report regarding the funding deficiency, noting that it was not required under auditing standards. A discussion arose and the Board decided that it was unnecessary to add a footnote within the report.

SCHEDULE NEXT MEETING

The next quarterly meeting was scheduled for August 23, 2012.

ADJOURNMENT

The meeting was adjourned at 1:55 P.M.