

**ATU LOCAL 1596 PENSION FUND
MINUTES OF QUARTERLY MEETING (MORNING SESSION)
November 18, 2016**

Board Members Present:

Ronald Morgan – Chairman, Union Appointee
Blanche Sherman – Secretary, LYNX Appointee
Bert Francis - LYNX Appointee
Frank Luna - Union Appointee
Ismael Rivera – Union Appointee
Donna Tefertiller - LYNX Appointee

Others Present:

Scott Baur & Pat Holt, Plan Administrator (Resource Centers)
Pedro Herrera & Bob Sugarman, Counsel (Sugarman & Susskind)
Tom Zehnder & Fritz Wermuth (King, Blackwell, Zehnder, & Wermuth)
Lisa Smith, Court Reporter
Ron Conrad, Auditor (Cherry Bekaert & Holland)
Frank Wan, Investment Consultant (Burgess Chambers & Assoc.)

Agenda Item	Discussion	Decision	Status	Follow-up
1.	<p>Chair Ron Morgan called the meeting to order at 9:40 AM in the Second Floor Board Room at Lynx Central Station, 455 N. Garland Avenue, Orlando, FL 32801.</p> <p>The Trustees engaged in a lengthy discussion regarding approval of the Agenda. The Trustees considered revisions and additions to the Agenda, as well as whether the Board must address all items appearing on an Agenda during a scheduled meeting.</p>	<p>Tom Zehnder advised that the Trustees may consider items that are not specifically identified on the Agenda for discussion at a meeting. He recommended, however, that the Board defer action on any controversial or material matters until the matter can be noticed and addressed at the next scheduled meeting to allow the public ample opportunity to comment on any such items. Bert Francis made a motion to accept the Agenda as presented, noting the format for the Agenda appeared in order. Blanche Sherman seconded the motion, approved by the Trustees 4-2 on a roll call vote. Frank Luna and Ismael Rivera dissented.</p>	Closed	None
2.	No members of the public had any comment.		Closed	None
4.	<p>The Trustees reviewed the draft Minutes for the meetings of March 30, 2016 through October 27, 2016.</p> <p>The Board confirmed that the Trustees cured the benefit due to member Felicia Hart at the March 30, 2016 Special Meeting. The Trustees discussed and clarified that the engagement for Board legal counsel continues until the Board otherwise terminates the relationship.</p>	<p>Blanche Sherman made a motion to approve the Minutes for the March 30, 2016 Special Meeting as amended. Donna Tefertiller seconded the motion, approved by the Trustees 6-0.</p>	Open	PRC

	<p>The Board previously approved the Minutes for the April 15, 2016 Special Meeting.</p> <p>The Trustees considered the Minutes for the May 19, 2016 Special Meeting. Donna Tefertiller noted that the Minutes failed to address some items listed on the Agenda. The Trustees considered items tabled during that meeting until the June 8, 2016 meeting.</p> <p>The Board requested that the Administrator correct the discussion on Item 6 of the June 8, 2016 Minutes related to the approval of Plan amendments, that included discussion for another issue.</p> <p>The Board previously approved the Minutes for the July 15, 2016 Quarterly and Special Meeting.</p> <p>The Board discussed the March 29, 2016 Minutes for the workshop held by the Management Trustees. Frank Luna objected to the Management Trustees holding separate workshops, since the Plan Document requires a notice to the entire Board for any meeting of the Trustees called by the Chair, the Secretary, or any other two Trustees.</p> <p>The Board reviewed the draft Minutes for October 27, 2016, and requested revisions to acknowledge Agenda items not addressed at the meeting. The Board also made revisions to the description of Minutes for December 1, 2015 and February 23, 2016. Pedro Herrera advised the Trustees to provide any further revisions to the administrator individually in advance of the next meeting.</p>	<p>Bert Francis made a motion to table the May 19, 2016 Minutes pending further revisions. Blanche Sherman seconded the motion. Frank Luna discussed the fee reduction by counsel Bob Sugarman so the fees related to the litigation settlement for Aldaberto Ruiz did not exceed the \$10,000 deductible for the Board fiduciary liability insurance, eliminating the need for the Board to pursue a reimbursement claim. The Board approved the motion to table the May 16, 2016 Minutes by a 6-0 vote.</p> <p>Blanche Sherman made a motion to approve the June 8, 2016 Minutes as amended. Frank Luna seconded the motion, approved by the Trustees 6-0.</p> <p>The Management Trustees will provide the Minutes when available. Bert Francis made a motion to table submission of the Minutes for the March 29, 2016 management workshop to a future date. Blanche Sherman seconded the motion, passed by the Board 6-0. The Trustees requested the Administrator to separate the management workshop Minutes on the Agenda under a separate heading.</p> <p>Blanche Sherman made a motion to table approval of the Minutes for the Meeting of October 27, 2016 for further revisions. Donna Tefertiller seconded the motion, approved by the Trustees 6-0.</p>		<p>Mgmt. Trustees</p> <p>PRC</p> <p>Wermuth & Zehnder</p>
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5a.	<p>Ron Conrad stated that the audit received an unqualified, or clean, opinion for the fiscal year ending September 30, 2015. The auditor found no material weaknesses or reportable incidents of noncompliance. The Plan did not implement any new accounting policies this year, but GASB 72 will address new required investment disclosures on the next audit. Mr. Conrad stated that the audit notes included disclosures regarding the current cure meeting process and pending litigation. Mr. Conrad reviewed the findings of the audit. The audit, in draft form, will become final upon execution of the Management Representation Letter by the Chair and the Administrator.</p>	<p>Mr. Conrad reported that the investment portfolio had a slight loss for the fiscal year ending September 30, 2016, while the contributions reduced substantially as LYNX used the funding standard account. Mr. Conrad agreed to note the transfers from the Funding Standard Account in the audit footnotes. Frank Wan reviewed the increase to investment management fees following the change in custodian. Finally, Mr. Conrad noted the net pension liability that LYNX will report on the financial statement for the authority.</p> <p>Frank Luna asked for further clarification regarding the reported contributions. Blanche Sherman made a motion, seconded by Bert Francis, to accept the audited Financial Statement for the fiscal year ending September 30, 2016. The Board deferred a vote on the motion until Trustee Frank Luna could address his questions regarding contributions.</p>	Open	CBH
5b.	<p>Frank Wan reported strong investment results for the quarter ending September 30, 2016. The portfolio ended the quarter with total assets of \$130,200,915, surpassing the \$130M threshold for the first time. Mr. Wan stated the portfolio had \$48,626,630 of investment gains for just the trailing 5 years. The assets gained an average of 9.5% per year over the period. Frank Wan reviewed the historical performance, explaining the factors that contributed to the investment loss for the fiscal year ending September 30, 2016.</p> <p>As Chair Ron Morgan questioned the results of the investment in Multiple Limited Partnerships (MLPs), Mr. Wan explained that Salient had stronger results than Miller Howard. Most of the underperformance at Miller Howard resulted from one holding in the portfolio. The investment consultant now has Miller Howard on watch as a result. Mr. Wan further reviewed diversification of assets in the portfolio. Bond yields increased since the election over 30%, with increased expectations for inflation based on anticipated policy mandates under the Trump administration. While the allocation to Treasury Inflation</p>	<p>With increasing interest rates, Frank Wan expects investment income from commercial real estate to substantially fall. With high occupancy rates, the cost of capital will drag on future earnings with valuations also high already. Mr. Wan recommended that the Board reduce the real estate allocation by 2% of total assets, reallocating the proceeds to fixed income and equities. The \$2.5 Million recommended redemption will reduce risk and preserve liquidity in the case that JP Morgan has a redemption queue, although the portfolio does not have a queue currently. Publicly traded REITs are down 16% already this year, a leading indicator for private real estate. Bert Francis made a motion to redeem \$2.5 Million from the JP Morgan private real estate portfolio. Blanche Sherman seconded the motion, approved by the Trustees 6-0.</p> <p>Mr. Wan will also bring search results for global managers to the next quarterly meeting.</p>	Open	PRC BCA

	<p>Protected Securities (TIPS) will experience a short term investment loss with rising interest rates, the allocation should perform well over the longer term when inflation actually becomes a factor.</p> <p>The portfolio gained 3.7% gross for the quarter compared to 2.5% for the benchmark, and 10% for the fiscal year compared to 11.4% for the benchmark. The fiscal return ranked in the top 38% of the public fund universe. Mr. Wan reviewed the risk characteristics for the portfolio, noting the portfolio has a Beta of 0.95 indicating volatility lower than the benchmark, and positive alpha for 3- and 5- year periods indicating excess performance.</p>	<p>Frank Wan and Jeff Amrose discussed management of the assets as the Plan matures. The investment consultant does not expect fixed income allocations to contribute to performance in the near term. The equity markets, meanwhile, cannot continue to make up the difference. Jeff Amrose advised that the investment consultant will gradually reduce risk in the portfolio as the contributions decrease and the outflows increase. As the return assumptions decrease at that point, contributions will increase.</p>		
5c..	<p>Bob Sugarman addressed changes in the SEC Rules for Short Term Investment Funds (STIFs). The Plan should no longer hold cash in institutional money market fund shares, because such funds will no longer guarantee stable asset values. The Plan should hold cash only in government money market funds or insured accounts.</p> <p>Mr. Sugarman reviewed the status of pending arbitrations, which will resolve the matter of legal fees for arbitrations paid by the Board. The arbitrator will now resolve both the fee issue and the collections of contributions for members in the defined contribution plan. Trustee Blanche Sherman still does not see a vote to abstain on a motion as creating a deadlock.</p> <p>Mr. Sugarman announced the Authority sued the 3 union Trustees, and that suit includes a declaration of who is a member of the Plan. ULICO will cover the litigation fees subject to the "Reservation of Rights" clause and the \$10,000 E&O policy deductible. The Union Trustees chose Rich Siwica, Tom Brooks, and Bob Klausner to defend them individually in the matter. A motion to dismiss was filed this week. Mr. Sugarman does not expect a fast resolution to the issues addressed by the lawsuit.</p>	<p>As collective bargaining continues, Mr. Sugarman volunteered to assist with the resolution of non-economic issues in negotiation by the parties. He offered to provide any such services under the current retainer agreement. He also requested the opportunity to review any agreements prior to signature or ratification.</p>	Closed	None
5d.	<p>Chair Ron Morgan addressed the procedure and timeline for the actuary to produce the annual valuation in light of an October 25, 2016 letter from LYNX CEO Edward Johnson indicating that the Board failed to "order" the valuation in a timely manner. Mr. Morgan read the letter</p>	<p>Bert Francis stated that the contributions should get negotiated in bargaining, and the letter provided by Mr. Johnson indicated the Authority's desire to bargain the issues. Mr. Francis questioned the rationale for lowering</p>	Open	LYNX GRS

	<p>into the record. GRS needs both asset and census data to complete the Valuation, not received this year until early July. The actuary then needs another 8-10 weeks to complete the valuation. GRS provided the report on September 12. Jeff Amrose noted the Board still had not accepted the audit. Frank Luna made clear that the Board does not "order" the valuation from the annually since the Board engages the services of the actuary already.</p> <p>Jeff Amrose reviewed summary valuation results. He explained the report determines the required contributions for the 2016-17 fiscal year. He reviewed the benefit provisions, stating that the Plan uses the entry age normal method to determine required contributions. Mr. Amrose reviewed the contributions for 2016 before and after the assumption changes. The assumption changes included the mortality mandates, the lower return assumption, and the shortened amortization from 30 to 25 years. The assumption changes combined to increase contributions in total by 0.85% of payroll. Mr. Amrose explained that the decrease in active member payroll increased the dollar amount of required contributions expressed as a percent of payroll. Mr. Amrose recommended that the Board use assumptions that the Plan has a 50% chance to meet over the long term. Since the Plan has almost no unfunded liability, most of the contribution requirement covers the normal cost.</p> <p>LYNX used part of the Funding Standard Account in 2015 to offset the required employer contribution. The valuation established a recommended contribution rate of 11.48% for the employer and 6.17% for the employees for the fiscal year ending September 30, 2017. The Plan had a funded ratio of 95.1% as of September 30, 2015.</p>	<p>the return assumption from 7.5% gross to 7.25% net; Mr. Amrose explained that the net return assumption increased transparency. The Board reviewed the letter to Mr. Beckendorf at the Division of Retirement dated June 27, 2015 stating the Board expected to achieve a 7.5% return for the next year, the next several years, and the long term thereafter.</p> <p>The Board considered approval of the Valuation, though Bob Sugarman advised that approval of the Valuation also indicated approval of the contribution rates. The Valuation does not factor the cost related to closing the Plan, since the parties have not agreed on a mechanism. The employer, however, must pay for the cost to close the Plan. Mr. Amrose recommended including the payroll for the defined contribution members when assessing the cost related to the Plan closure. Mr. Sugarman advised the Board must determine the cost related to closure before setting the required contribution rates. Blanche Sherman therefore made a motion to table approval of the 2015 Valuation Report, seconded by Frank Luna, and approved by the Trustees 6-0. LYNX will provide the 2015 payroll data to the actuary for the defined contribution members.</p> <p>Bert Francis requested a breakdown on the increase to investment management fees. The Trustees also noted the dramatic increase in legal fees.</p>		
6a.	The Board questioned the payment of overdue legal retainer fees to Board counsel Sugarman & Susskin on August 8, 2016. Mr. Baur explained that his office reconciled historical payments to the attorney before authorizing the payment.	Blanche Sherman made a motion to receive and file the interim financial statement subject to the questions about payment of legal and investment fees. Donna Tefertiller seconded the motion, approved 6-0 on a roll call vote.	Open	PRC
6b.	The Board reviewed the Warrant dated November 18, 2016 for payment of Plan expenses.	Bert Francis made a motion to ratify the expenses in the Warrant dated November 18, 2016. Donna Tefertiller seconded the motion, approved by the Trustees 6-0.	Closed	None

6c.	The Board considered the payments of refunds of contributions, noting the format on the approval omitted some member information. One member in particular had a prior refund, so the member was not quite vested. The Plan does not allow vested members to take a refund of contributions, and a member becomes vested upon completion of 10 years of service.	Blanche Sherman made a motion to table approval of the refunds of contributions, seconded by Frank Luna, and approved by the Trustees 6-0. Blanche Sherman made a motion to approve the retirement benefits that were verified by the actuary, seconded by Ismael Rivera, and approved by the Trustees 6-0.	Open	PRC
5a.	Bob Sugarman stated the importance of the audit to protect the Trustees, recommending that each Trustee keep a copy of the document always.	Frank Luna made a motion to accept the September 30, 2015 audited financial statement. Bert Francis seconded the motion, approved by the Trustees 6-0.	Closed	None
7.	The Board had no Other Business to discuss under the Quarterly Meeting Agenda.		Closed	None
8.	The Trustees previously scheduled the next Special Meeting of the Board for Tuesday, December 6, 2016 at 9:00 AM.		Closed	None
9.	The Quarterly Meeting adjourned at 4:00 PM.		Closed	None

Respectfully Submitted,

Secretary

**TU LOCAL 1596 PENSION FUND
MINUTES OF SPECIAL MEETING (AFTERNOON SESSION)
November 18, 2016**

Board Members Present:

Ronald Morgan – Chairman, Union Appointee
Blanche Sherman – Secretary, LYNX Appointee
Bert Francis - LYNX Appointee
Frank Luna - Union Appointee
Ismael Rivera – Union Appointee
Donna Tefertiller - LYNX Appointee

Others Present:

Scott Baur & Pat Holt, Plan Administrator (Resource Centers)
Pedro Herrera & Bob Sugarman, Counsel (Sugarman & Susskind)
Tom Zehnder & Fritz Wermuth (King, Blackwell, Zehnder, & Wermuth)
Lisa Smith, Court Reporter

Agenda Item	Discussion	Decision	Status	Follow-up
1.	Chair Ron Morgan called the Special Meeting to order at 4:06 PM. The Special Meeting Agenda cures items related to the actuary taken at improperly noticed meetings.		Closed	None
2.	No members of the public had any comment.		Closed	None
3.	<p>Jeff Amrose reviewed the 2012, 2013, and 2014 Valuations.</p> <p>Mr. Amrose reviewed the benefit provisions for 2012. He compared the 2011 Valuation results to the 2012 Results. The employer contributions went down from 11.12% in 2011 to 10.59% in 2012 due to a modest experience gain. Jeff Amrose explained the asset smoothing over 5 years. The final contribution rate ultimately dropped to 10.49% for the employer and 5.64% for the members for the fiscal year ending September 30, 2014, due to a slight excess in contributions from the prior years.</p> <p>Mr. Amrose reviewed the benefit provisions for 2013. He compared the 2012 Valuation results to the 2013 Results, before and after changes to Plan provisions. The employer contributions initially increased from 10.43% to 10.7% before changes, but the changes to the disability provisions and the interest credit on contributions reduced the employer contribution by 63 bp from 10.7% to 10.07%. The employer actually contributed 10.49%, therefore adding to the credit balance. GRS recommended contribution rates for 2015 of 10.22% for</p>	<p>Frank Luna made a motion to approve the 2012 Valuation, seconded by Ismael Rivera, and approved by the Trustees 6-0.</p> <p>Blanche Sherman made a motion to accept the 2013 Valuation, seconded by Donna Tefertiller, and approved by the Trustees 6-0.</p>	Closed	None

	<p>the employer and 5.49% for the member. The Plan had a slight experience loss, but \$7.9 Million of unrecognized gains. The funded ratio increased from 94.8% to 97.2%.</p> <p>Mr. Amrose reviewed the benefit provisions for 2014. The Plan had no benefit and no assumption changes from the prior year. The employer had a required contribution of 9.65% compared to 10.22%, reducing the recommended contribution to 9.85% of payroll for the employer and 5.29% of payroll for the employee. The market value of assets exceeded the actuarial value by \$7.4 Million. The Plan had a funded ratio of 99.5%, up from 97.2% the prior year.</p>	<p>Jeff Amrose explained new reporting requirements for GASB 67, GASB 68, SB 534 (Ch. 112.664 FL Statutes), and the mortality requirements in HB 1309. Bert Francis asked about the shorter amortizations adopted by the Board. Jeff Amrose explained that the 30 year amortization now exceeded the career length for the average active member of the Plan.</p> <p>Blanche Sherman made a motion to accept the October 1, 2014 Valuation report as presented. Donna Tefertiller seconded the motion, approved by the Trustees 6-0.</p>		
4.	<p>Chair Ron Morgan explained the Board had some prior arbitrations. He does not dispute the contribution rates actually implemented for 2012, 2013, and 2014.</p>	<p>The Board considered the contributions received by the Plan from 2012-14 carefully.</p> <p>Blanche Sherman made a motion to acknowledge that the Plan was funded in 2012, 2013, and 2014 in accordance with contribution rates recommended by the actuary for each of those years. Chair Ron Morgan passed the gavel to second the motion.</p> <p>Trustee Frank Luna expressed concern that the Board abandoned the historical process to add benefits as funding accumulated in the Funding Standard Account permitted. Ron Morgan supported the process whereby the valuation should establish the actual contributions to the Plan.</p> <p>The Board passed the motion 5-1 on a roll call vote with Frank Luna dissenting.</p>	Closed	None
7b.	<p>Jeff Amrose briefly reviewed the August 27, 2015 recommendations to shorten the amortization, adopt mortality, and reduce the net investment return assumption based on current capital market forecasts. He requested guidance from the Board on the assumptions to revise the 2015 Valuation as requested.</p>	<p>Bert Francis and Jeff Amrose considered the investment return assumption, since the increase in contributions exceeded the dollar amount of investment expenses eliminated from the investment return assumption. Mr. Amrose agreed to provide the updated</p>	Open	GRS

		valuation with both earnings assumptions, 7.5% gross and 7.25% net.		
6.	Mr. Baur stated that he provided the detail of the Funding Standard Account as a reference for the Board if needed during the meeting.		Closed	None
5a. & 5b.	Jeff Amrose described the GASB 67 and SB 534 requirements started with the valuation for 2014. The additional requirements resulted from changes to accounting standards and mandates imposed by the Florida legislature.	Blanche Sherman made a motion to approve the proposal by the actuary to provide the GASB 67 notes for a fee between \$1,950 and \$2,950, as well as the SB 534 report for a fee of \$2,500. Ismael Rivera seconded the motion, approved by the Trustees 6-0.	Closed	None
7a.	The Board moved discussion of the actuarial equivalence study to the December 15, 2016 Special Meeting scheduled with the actuary.		Open	Board GRS
8.	The Special Meeting adjourned at 6:15 PM.		Closed	None

Respectfully Submitted,

Secretary