

**ATU LOCAL 1596 PENSION FUND
MINUTES OF QUARTERLY MEETING (MORNING SESSION)
February 28, 2017**

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 & Tom Lapins, Plan Administrator (Resource Centers)
Bob Sugarman, Counsel (Sugarman & Susskind)
Mitchel Brennan, Consultant (Burgess Chambers & Assoc.)
Jeff Amrose, Actuary (Gabriel Roeder Smith)

Agenda Item	Discussion	Decision	Status	Follow-up
1.	Chair Ron Morgan called the meeting to order at 9:18 AM in the Second Floor Board Room at Lynx Central Station, 455 N. Garland Avenue, Orlando, FL 32801.		Closed	None
2.	Mr. Baur confirmed that the Special Meeting had been properly noticed to the public.		Closed	None
3.	The Trustees reviewed the Agenda for the Meeting. The Board considered the pending review of service provider relationships.	Ismael Rivera made a motion to add Item 6(f) to the Agenda for review of the Plan Administrator. Bert Francis seconded the motion, approved by the Trustees 6-0. Blanche Sherman made a motion to approve the Agenda, seconded by Bert Francis, and approved by the Trustees 6-0.	Closed	None
4.	Members of the Plan addressed the Board during the public comment. Maurice Nix stated that he entered the DROP in September, but he had not yet received a statement. Scott Baur addressed delays in processing benefits with an apology to Mr. Nix. Bob Sugarman explained the selection of the optional form of benefit payment to Mr. Nix, since he would first need to set up the DROP Account with the correct deposit amounts. Mr. Baur also explained the timing to receive and post returns on the Plan assets to member accounts, and Mr. Brennan reviewed the types of investments held by the Plan.	Mr. Nix stated that he wanted his DROP Account credited with a fixed rate of return. Mr. Sugarman suggested that the Administrator could make such a change prospectively as of March 1, since the market already provided a return that exceed the fixed rate alternative. Mitchel Brennan indicated that he could provide the quarter-to-date return on Plan assets as of March 1, 2017 to accommodate the change. Blanche Sherman made a motion to make an exception based on the special circumstances to allow Maurice Nix to switch from the market return to the fixed rate as of March 1, 2017. Frank Luna seconded the motion, approved by the Trustees 6-0.	Open	PRC

	<p>Luz Veguera addressed the Board as well. Her DROP account did not include the first two deposits on entry into the DROP. She since left the DROP and took distribution of her account. Mr. Baur explained that her account would get adjusted with the retroactive deposits back to her date of entry with interest for her final distribution.</p> <p>Mr. Baur acknowledged the service issues to the Board for members of the Plan, due to a combination of the issues related to the Plan and turnover of staff in his office. He explained to the Board that he just hired Tom Lapins to work part-time exclusively to provide local service to the members of the ATU Local 1596 Pension Plan. He will establish an office locally over the next week where Mr. Lapins can meet with the members, which should begin to ease some of the recent service issues.</p>			
6a.	<p>The Board moved the investment consultant report on the Agenda.</p> <p>Mitchel Brennan provided a market overview for the quarter ending December 31, 2016. He reported that the equity portfolios had strong returns for the period, but the fixed income securities had losses due to rising interest rates. The Plan investments gained 0.8% for the quarter (0.7% net of fees) compared to a gain of 1.5% for the benchmark. The gross return of 8.1% for the 2016 calendar year finished in the top 30th percentile. Mr. Brennan reported that Miller Howard now has 4 consecutive quarters of underperformance, so he recommended that the Board replace the manager. He attributed the poor results by Miller Howard to a combination of securities selection and execution of sales. Salient, the other MLP (Multiple Limited Partnership) held by the Plan has strong performance above the benchmark. Mr. Brennan continued to review the performance of the individual manager allocations in detail. The Plan had total assets of \$130,390,655 as of March 31, 2016.</p> <p>Mr. Brennan reported that the partial redemption from the JP Morgan private real estate portfolio, previously authorized by the Board, would occur on April 1, 2017.</p>	<p>Bert Francis inquired about the history of the Board allocation to the MLP's, which immediately preceded the market downturn in energy holdings. The fall in oil prices impacted high yield bonds as well. The Board further considered the possible impact of current events on the market. Bert Francis also asked about DePrince, Race, Zollo, a local value manager. The consultant will prepare a small cap manager search that includes DRZ for the Board to consider. The Board considered the advantages and disadvantages of allocations to market indices.</p> <p>Mr. Brennan recommended the Board liquidate the Miller Howard portfolio and invest the proceeds in the corresponding index (Symbol: AMJ). Bert Francis made a motion to liquidate the holding in Miller Howard and invest the proceeds in the MLP Index, seconded by Blanche Sherman, and approved by the Trustees 6-0.</p> <p>Mitchel Brennan and Frank Wan will provide recommendations for a global equity portfolio at the next quarterly meeting of the Board.</p>	Open	BCA PRC

	Mr. Brennan reviewed options for a global equity allocation using the proceeds from the JP Morgan distribution. He explained that global market valuations are currently more attractive than the domestic market.			
5.	<p>The Board reviewed clean sets of Minutes for the meetings of October 27, 2016, and November 18, 2016.</p> <p>The Board reviewed the discussion regarding a policy for posting notice of public meetings in the December 5, 2016 Minutes.</p> <p>Bob Sugarman advised that the December 15, 2016 Minutes should reflect that the Board approved the contribution rates with the 2015 Annual Valuation, but the Board had not yet received and approved the final Valuation.</p>	<p>Bert Francis made a motion to approve the Minutes for October 27, 2016, seconded by Blanche Sherman, and approved by the Trustees 6-0. Bert Francis made a motion to approve the Minutes for November 18, seconded by Blanche Sherman, and approved by the Trustees 6-0.</p> <p>Chair Morgan indicted that the Minutes should note that the Board received final minutes for the management workshops. The Board stated that the Minutes should note that Donna Tefertiller was not present for the vote to accept the application from Paul Helmick to change his beneficiary, and Ron Morgan directed the Minutes to show a roll call vote on the item. Bob Sugarman provided corrections for Item 5c regarding the final determination letter obtained by the Board, since the IRS will no longer provide such letters routinely. The Board provided additional minor corrections. Donna Tefertiller made a motion to approve the December 6, 2016 Minutes as amended, seconded by Blanche Sherman, and approved by the Trustees 6-0.</p> <p>The Board further considered the member contribution rates based on the language in the most recent bargaining agreement. The Board interprets the agreement to set a maximum 5.7% contribution rate for members. Donna Tefertiller made a motion to table approval of the December 15, 2016 Minutes until after the Board addresses unfinished business with the actuary on the Agenda. Blanche Sherman seconded the motion approved by the Trustees 6-0.</p>	Open	PRC Board

6b.	<p>Jeff Amrose, actuary, joined the meeting by phone. He reviewed the new 2015 Valuation Report dated January 12, 2017, revised after the Board did not accept any of the proposed changes to assumptions. Mr. Amrose reviewed the updated report.</p> <p>Ron Morgan stated that the next Valuation should begin immediately and the dialogue regarding assumptions must continue. The actuary must implement the mandated changes to mortality for October 1, 2016. Jeff Amrose indicated that the other assumptions under consideration, the 7.5% gross investment return</p>	<p>The Board considered the details for the member contribution rates, which should not exceed 5.7% for the members prior to any enhanced benefits. The employer should also pay any increase to the member contribution rate attributed to the Plan closure. The Board determined that 58 bp of the required contribution related to closure of the Plan based on input from the actuary and payroll for members in the defined contribution plan. The Board also considered the retro contributions that members would now owe during the current fiscal year, since the year was already in progress. The Trustees determined that LYNX must ultimately determine how to collect the retro contributions through payroll from members of the Plan, since administration of payroll is not a function of the Board. The final contribution rate increases from 5.29% from the prior fiscal year to 5.66% for the current fiscal year, with rates of 8.16% and 10.66% for the Tier 2 and Tier 3 benefits. LYNX must contribute 11.13% for the current fiscal year, which includes 58 bp related to closure of the Plan. Blanche Sherman made a motion to approve the contribution rates of 5.66% for Tier 1 members, 8.16% for Tier 2 members, 10.66% for Tier 3 members, and 11.13% for the employer upon receipt of an updated 2015 Valuation Report that stated these exact rates, with any retro amounts due to be deposited to the Plan by September 30, 2017. Bert Francis seconded the motion, passed by the Board 6-0. LYNX has the discretion to use any portion of the funding standard account to meet the employer contribution requirement.</p> <p>The Board directed Jeff Amrose to produce the October 1, 2016 Valuation using current assumption rates except for the changes to mortality mandated by the Florida legislature. Mr. Amrose will include recommendations for contribution rates for October 1, 2017.</p>	Open	GRS PRC LYNX
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	<p>assumption and the 30-year amortization, remained within acceptable ranges. Mitchel Brennan discussed an incremental change to the investment return assumption but also stated the 7.5% gross return assumption remained within acceptable ranges. Jeff Amrose considers the 7.25% net return assumption a little more transparent.</p>			
6c.	<p>Jeff Amrose requested that the Board pay his invoice on December 11, 2015 in the amount of \$2,229 to review actuarial issues related to the proposed bargaining agreement at that time. Tom Lapins explained that as Chair, he was preparing to argue the arbitration on contribution rates. Blanche Sherman and Tom Lapins disagreed regarding the nature of the proposal by management in bargaining, as opposed to the arbitration related to contribution rates. The confusion resulted from the overlap of these issues at the time. Trustee Blanche Sherman advised that the budget for the arbitration applied only to legal fees, although the Board did not place limitations on payment for use of other service providers in arbitrations until June 2016.</p>	<p>Bob Sugarman explained the concept of “apparent authority” for service providers to take direction from the Chair between meetings of the Board. He recommended the Board should get a revised invoice to indicate that GRS reviewed proposals for the pending arbitration on contributions. Ismael Rivera made a motion to pay the outstanding invoice amount on receipt of a revised invoice showing that GRS provided services in connection with the pending 2014-15 arbitrations dealing with contribution rates, seconded by Frank Luna. In further discussion, the Board determined that the invoice should go through the normal process for review and payment of Plan expenses. Mr. Lapins noted that in February 2015 the Board voted to pay for the use of the actuary in the arbitrations, while Frank Luna argued that the Chair must have a certain amount of latitude as described by the Plan document. The motion passed on a 6-0 vote.</p>	Open	LYNX Board
5d.	<p>The Board returned to the December 15, 2016 Minutes. The Board considered what the Minutes should reflect regarding the payment of the Invoice to GRS.</p>	<p>Bob Sugarman advised the Minutes should reflect the discussion and action by the Board at the December meeting. Bert Francis made a motion to approve the December 15, 2016 Minutes as amended, seconded by Blanche Sherman, and approved by the Trustees 6-0. Jeff Amrose departed the meeting. The Board tabled further discussion of the invoice to Ellen Schaeffer to the May 23, 2017 Quarterly Meeting.</p>	Open	Board

6d.	<p>Mr. Sugarman stated that he preferred to wait for the conclusion of collective bargaining to update the Summary Plan Description. He reminded the Trustees to file the annual Form 1 financial disclosure and provide evidence of the filing to the administrator.</p> <p>Bob Sugarman also provided an update on proposed legislation, which includes a bill that would place limits on the return assumption used by the Board.</p>	Mr. Sugarman congratulated the Board on the resolution of many issues. He then discussed the pending arbitration, now on hold until the lawsuit resolves.	Open	Attorney Board
6e-1.	The Board considered the engagement letter for the September 30, 2016 audit. Mr. Baur reported the fee increased to \$17,400 from \$16,00 the prior year.	The Board carefully reviewed the engagement letter. The Trustees provided modification to the language related to "members", use of any offshore third party providers, and confidentiality of member records transmitted electronically via email without proper encryption. The Trustees discussed use of a member's Social Security Number in those records. The Trustees objected to indemnification of the auditor in case of a subpoena. The Board removed language providing for indemnification in the case of negligence. Cherry Bekaert and Holland has served now as the Board auditor for 10 years and audits the LYNX financial statements as well. The Board views the experience by the auditor in this case as a positive. In the relationship. Ismael Rivera made a motion to approve the engagement subject to review by counsel and by Trustee Bert Francis. Blanche Sherman seconded the motion, approved by the Board 6-0.	Open	CBH Counsel B. Francis
6e-2.	The Board reviewed recent service issues to members of the Plan following turnover of staff at the administrator.	Mr. Baur acknowledged the issues. His office hired former Board Chair Tom Lapins to provide service exclusively to members of the Plan through a locally established office. Tom Lapins stated his passion and commitment to members of the Plan. The Board reviewed the developments as a positive step. The Board also noted that the Resource Centers internally has written plans for business succession and continuity, with Mr. Baur addressing much of the operation requirements of the Plan.	Closed	None

7.	<p>The Board considered the matters at arbitration. The Arbitration directs that the attorneys fee motion shall be deemed to have been adopted by the Board of Trustees.</p> <p>The Board reviewed the Warrant dated February 28, 2017, and ratification of benefits.</p>	<p>The Board deferred action on the new invoices for Egan, Lev, and Siwica, and Mierzwa & Floyd to the May 23, 2017 quarterly meeting agenda.</p> <p>The Board questioned why King Blackwell Zehnder and Wermuth had two attorneys at times attending the cure meetings.</p> <p>Blanche Sherman made a motion to approve the Warrant dated February 28, 2017 and Benefit Approvals. Ismael Rivera seconded the motion, approved by the Trustees 6-0.</p>	Open	PRC Board
8.	The Board deferred all Other Business on the Agenda for discussion to the next regularly scheduled meeting.		Open	Board
9.	The Trustees previously set the next quarterly Meeting for May 23, 2017.		Closed	None
10.	The Quarterly Meeting adjourned at 4:30 PM.		Closed	None

Respectfully Submitted,

Secretary