

**ATU LOCAL 1596 PENSION FUND  
MINUTES OF QUARTERLY MEETING  
May 22, 2018**

**Board Members Present:**

Ronald Morgan – Chairman, Union Appointee  
 Bert Francis – Secretary, LYNX Appointee  
 Brian Anderson – LYNX Appointee  
 Maria Carrera – Union Appointee  
 Frank Luna – Union Appointee  
 Donna Tefertiller – LYNX Appointee

**Others Present:**

Scott Baur & Tom Lapins, Plan Administrator (Resource Centers)  
 Bob Sugarman, Counsel (Sugarman & Suskind)  
 Frank Wan & Richard, Consultant (Burgess Chambers & Assoc.)  
 Brian Casey & Ben Morton, Cohen & Steers  
 Sean Delaney & Steven Keeler, Lazard Asset Management  
 Mark Nigro & Dave Wahl, Legg Mason

<b>Agenda Item</b>	<b>Discussion</b>	<b>Decision</b>	<b>Status</b>	<b>Follow-up</b>
1.	Chair Ron Morgan called the meeting to order at 9:25 AM in the Second Floor Board Room at Lynx Central Station, 455 N. Garland Avenue, Orlando, FL 32801.		Closed	None
2.	<b>Public Notice of Meeting:</b>  Confirmation was given that the Meeting had been properly noticed to the public.		Closed	None
3.	<b>Chairman's Comments:</b>  Chair Ronald Morgan stated that Gabriel Roeder Smith committed to completing the Valuation by the first week of June.	The Board considered a possible Special Meeting to review the Valuation.	Closed	None
4.	<b>Approval of Agenda:</b>  The Board reviewed the Agenda.	Bert Francis made a motion to approve the Agenda, seconded by Donna Tefertiller, and passed by the Trustees 6-0 with voting parity. Brian Anderson was not present for the motion.	Closed	None
5.	<b>Public Comments</b>  No members of the public had any comment.		Closed	None
6.	<b>Minutes:</b>			
6a.	The Board reviewed the revised Minutes for the Quarterly Meeting on November 28, 2017.	Bert Francis made a motion to approve the Minutes for the Quarterly Meeting of November	Closed	None

6b.	The Trustees considered the draft Minutes for the Quarterly Meeting on February 27, 2018.	<p>28, 2017. Donna Tefertiller seconded the motion, passed by the Trustees 6-0.</p> <p>The Board still has the Service Provider review pending on the current Agenda for May 22, 2018. The Trustees then reviewed the explanation by Eagle Asset Management for the write-down of the value for Lilac, a holding in the Eagle portfolio. The actual transaction consisted of a substitution of a new TIKR for the security rather than a loss to the portfolio.</p> <p>Donna Tefertiller made a motion to table approval of the Minutes for February 27, 2018 pending revisions noted by the Board. Bert Francis seconded the motion, passed by the Trustees 6-0.</p>	Open	PRC
7a.  7a-1.	<p><b>Reports: Manager Presentations</b></p> <p>Bob Sugarman reminded managers making presentations that the Board meeting is open to the public.</p> <p>Brian Casey stated that the Collective Investment Trust Vehicle managed by Cohen &amp; Steers invests only in shares of publicly traded companies. The manager can acknowledge a fiduciary to the Board in a side letter. Mr. Casey then provided an overview of the firm, started in 1986 with about \$60 Billion in total assets under management. The firm, a member of the FPPTA, maintains a strong commitment to unions and public funds. The company includes broad employee ownership with firm and personal assets invested in the portfolios.</p> <p>Ben Morton reviewed the investment process and portfolio construction. The Collective Trust invests only in publicly traded global infrastructure stocks. The manager identifies holdings with a compelling market environment, strong fundamentals, and attractive valuations. He reviewed the securities selection process, which identifies attractive sectors followed by fundamental analysis of potential holdings. The manager does not hold any MLP investments. The</p>	<p>Ron Morgan asked about currency hedging for the portfolio. The portfolio neither hedges nor makes active currency bets but attempts to remain neutral on currencies with respect to the benchmark. Currency fluctuations might therefore affect short-term performance. The Collective Investment Trust has no minimum investment amount.</p>	Closed	None

<p>7a-2.</p>	<p>portfolio consistently out performs the relevant benchmarks.</p> <p>Sean Delaney explained that Lazard runs a more concentrated portfolio with higher conviction holdings. He provided an overview of Lazard, started in 1848 managing strategies based on fundamental analysis. The firm has more than 750 employees with \$226.1 Billion assets under management. The global infrastructure strategy offers consistent low-risk results, with both equity and fixed income characteristics.</p> <p>Steven Keller discussed “preferred infrastructure”, holdings with revenue certainty, profitability, longevity, and low volatility. Lazard uses a value rank metric to identify preferred infrastructure. The resulting portfolio has a strong value bias with both liquidity and transparency. Lazard takes long-only positions.</p>	<p>Steven Keeler noted that Lazard manages versions of the strategy that hedge and do not hedge against currency fluctuations. Both portfolios provide very similar results over longer periods. The manager avoids emerging due to greater geo-political risks.</p>		
<p>7a-3.</p>	<p>Mark Nigro and Dave Wahl stated that Legg Mason manages an infrastructure portfolio that offers opportunity for growth with stable income and stable asset values. Legg Mason acquired Rare, the portfolio manager, in 2015. Rare operates autonomously and manages 4 strategies but invests only in listed global infrastructure assets. All holdings must represent real assets, not service or construction companies that provide goods or services. The manager does not invest in any MLP assets. The manager first identifies appropriate infrastructure holdings and then stable cash flows.</p>	<p>The strategy managed by Legg Mason Rare requires a \$1 Million minimum investment in a mutual fund structure.</p>	<p>Closed</p>	<p>None</p>
<p>7a.</p>	<p><b>Discussion:</b> Manager Presentations</p> <p>Bob Sugarman explained the differences between the mutual fund and separate account structures.</p>	<p>The Board considered the differences in holdings and the currency hedging strategies between the 3 managers. Frank Wan recommended the Board consider Cohen &amp; Steers since the manager offers the best risk-adjusted performance, but the Cohen &amp; Steers strategy also pairs well with Lazard if the Board were to choose more than one manager.</p>		
<p>7b.</p>	<p><b>Reports:</b> Investment Consultant (Burgess Chambers)</p>			

	<p>Frank Wan commented on tariffs and intellectual property issues with China. He reported that the plan assets lost -0.1% for the quarter ending March 31, 2018 net of fees, ranking in the top 30 percentile of the peer manager universe, compared to a loss of -1.0% for the benchmark. For the fiscal year to date through March 31, 2018, the assets gained 3.4% net compared to 3.1% for the benchmark. The Plan finished the quarter with total investment assets of \$147,204,405. Mr. Wan stated that the Plan participated well in market gains while protecting assets against losses in down markets.</p> <p>Mr. Wan then reviewed the performance of the individual managers.</p>	<p>Mr. Wan addressed the MLP (Master Limited Partnership) performance issues, including oil production, debt, and taxation on the MLP structures. The category used to behave like an infrastructure offering, but now correlates highly to energy issues as a commodity. The Board considered the selection of infrastructure managers to replace the MLP holdings in the portfolio. Maria Carrera made a motion, based on the recommendation of the investment consultant, to divest all the MLP holdings and move 50% of the proceeds to Cohen &amp; Steers and 50% to Lazard, allowing BCA to manage the transition. The Board considered the fees for the proposed replacements to the MLP holdings, 0.75% of assets for Cohen &amp; Steers and 0.95% for Lazard. The motion passed 6-0. Donna Tefertiller made a motion to authorize the chair to sign all necessary documents for the Cohen &amp; Steers and Lazard infrastructure investments, subject to review by counsel. Bert Francis seconded the motion, approved by the Trustees 6-0.</p>	BCA Counsel	Open
7c.	The Board considered a Special Meeting to review the audited financial statement as of September 30, 2017, and the Annual Valuation as of October 1, 2017.	The Trustees set a Special Meeting for Wednesday, June 27 at 2:00 PM.	Closed	None
7d.	<p><b>Reports: Attorney Report</b></p> <p>Mr. Sugarman reported that his firm reviewed the slides developed by the administrator for the recent pension workshops for members of the Plan. He explained the divorce process and the pension benefit as a marital asset, noting that the Plan cannot accept QDRO (Qualified Domestic Relations Orders) for divorcing members. His office developed a memo to provide guidance to both parties in a divorce.</p> <p>Mr. Sugarman then reviewed the status of two pending and prior Board arbitrations. An arbitration arising out of the Plan closure to collect contributions from employees participating in the defined contribution plan was stayed by court action pending resolution of the lawsuit filed by LYNX against the three union Trustees. Based on the 2017 collective bargaining agreement</p>	<p>Mr. Sugarman advised the Board to withdraw the arbitration to collect contributions for the employees participating in the defined contribution plan. He noted that the original Trustee demanding the arbitration no longer serves on the Board, so he recommended the Trustees pass a motion authorizing him to withdraw the</p>	Open	Counsel

	<p>reached between LYNX and ATU Local 1596, the Board adopted an amendment to close the Plan rendering this arbitration moot. The Board has one more arbitration decided in favor of the union Trustees regarding legal fees for the arbitration process, now stayed pending resolution of the lawsuit filed by LYNX against the three union Trustees; LYNX asked the court to overturn this arbitration as part of the pending lawsuit.</p> <p>Mr. Sugarman reviewed the updated Spousal Consent form for spouses of members electing anything less than a 100% Joint &amp; Survivor Annuity form of benefit payment at retirement. The updated form explains the rights to the spouse afforded by the Plan in plain English.</p> <p>Mr. Sugarman stated that the 2017 Collective Bargaining Agreement requires the Board to seek updates to the determination letter for the Plan issued by the IRS, but the IRS no longer issues such letters.</p> <p>Mr. Sugarman addressed the collection and deposit of required member contributions by LYNX. He reviewed the background for the situation, noting that requests for clarification submitted by the Board to LYNX went unanswered. Mr. Sugarman advised the Board has a fiduciary duty to receive and deposit the annual required contribution for benefits identified by the annual valuation approved by the Board. The 2017 Collective Bargaining Agreement stipulates the amount and split of additional contributions above the minimum required contribution, also bargained by the parties. Mr. Sugarman differentiated the annual required contributions for existing benefits from any additional benefits and costs that would require bargaining per the contract.</p>	<p>arbitrations. Bert Francis made a motion to withdraw the arbitration to collect contributions for member in the defined contribution plan based on the advice of counsel. Donna Tefertiller seconded the motion. In discussion, Frank Luna objected to the motion stating an issue still exists if LYNX acted improperly. Mr. Sugarman explained that the Collective Bargaining Agreement, the Union, the Authority, and ultimately the Board by unanimous vote of the Trustees, all agreed to close the Plan. The motion passed on a roll call vote 4-2, with Trustees Frank Luna and Maria Carrera voting against the motion.</p> <p>Donna Tefertiller recommended adding a revision date to the footer on the form. Donna Tefertiller made a motion to approve the updated Spousal Consent form with a revision date. Bert Francis seconded the motion, approved by the Trustees 6-0.</p> <p>Mr. Sugarman will advise the Union President of ATU Local 1596 and the CEO of LYNX that the Plan cannot satisfy this requirement of the Collective Bargaining Agreement.</p> <p>Bob Sugarman reviewed possible courses of action by the Board to resolve the underfunding of the Plan. He stated the Board could sue the authority, the union could file a grievance, or the Board could wait until year end when the next audit and valuation sent to the state will identify the deficient contributions. The state, in turn, might demand that the Plan collect the contributions or withhold grant money from the Authority. Mr. Sugarman also considered whether the state might declare a financial emergency to assume control of operations at LYNX. Putting aside the possible consequences, Mr. Sugarman stated the Board must take steps to collect the delinquent contributions. By failing to do so, the Trustees could become personally liable. Ron Morgan stated that in addition the assumed rate the Board expected to earn on Plan assets, the</p>	<p></p> <p>Closed</p> <p>Open</p> <p>Open</p>	<p></p> <p>None</p> <p>Counsel</p> <p>Board</p>
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7e.	<p><b>Reports:</b> Administrator Report</p> <p>Mr. Baur provided a report from Ulico, fiduciary liability insurance company for the Board of Trustees, showing the claims total to date and additional reserve for the lawsuit filed by LYNX against the three union Trustees over plan closure. Ulico did not provide the additional level of claims detail requested by the Trustees.</p>	Bert Francis asked for the detail of the total \$176,128 claims paid to date.	Open	PRC Ulico
8.	<b>Plan Financials</b>			

8a.	The Board reviewed the interim financial statement through April 30.	Bert Francis requested a change to the entry for the Liberty Lilac Group TIKR change in the Eagle Asset Management portfolio previously reported. The Board requested details of a class action settlement received in March.	Open	PRC
8b-1.	Chair Morgan explained that Mierzwa & Floyd represented the three union Trustees in the arbitration just withdrawn by the Board. The union Trustees prevailed in the arbitration on payment of legal fees, although that arbitration is now stayed until the lawsuit by LYNX against the 3 union Trustees gets resolved.	The invoice to Mierzwa & Floyd totals \$22,964.58. Bert Francis stated that he has an issue with payment of the invoice with the lawsuit still pending. The Board directed the administrator to add the invoice to the next Quarterly Meeting agenda, but otherwise took no action.	Open	Board
8b-2.	The Board reviewed the Travel Reimbursement Policy.	Mr. Baur reported that he found a GSA rate that breaks down the total daily allowable reimbursement for meals to separate amounts for breakfast, lunch, and dinner. The actual allowable reimbursements vary by location. He believes that his office may have slightly under reimbursed Trustees for meals at recent conferences, rather than over paid any amounts. His office will apply the GSA allowable reimbursement amounts prospectively.  Mr. Baur reported that the FPPTA experienced severe website issues following a recent update. His office has not yet been able to register or pay conference fees for Trustees attending the annual FPPTA conference at the end of June. All Trustees confirmed they planned to attend the conference.	Closed	None
8b-4.	The Board reviewed the procedure for processing and payment of invoices between meetings.	The Board decided that only non-regular or non-recurring expenses required further review by the Board Secretary prior to payment. Donna Tefertiller made a motion to authorize the administrator to pay regular recurring expenses to service providers contracted by the Board. Bert Francis seconded the motion, approved by the Trustees 6-0.	Closed	None
	The Board reviewed the specific payments on the Warrant dated November 28, 2017 for paid expenses.	Mr. Baur explained that the union appointed Maria Carrera to the Board the week before the school,	Closed	None

	The Trustees questioned the different hotel rates paid for Trustees to attend the same 2017 Fall Trustee School.	then strongly urged her to attend. Due to the timing, she did not get the pre-negotiated hotel rate for the conference. The Board noted a correction on the Check Register for Check 3156, a payment made to the FPPTA. Frank Luna made a motion to approve the Warrant dated November 28, 2017, as amended for Check 3156. Bert Francis seconded the motion, approved by the Trustees 6-0.		
10-a.	<b>Other Business: Interest on Member Contributions</b>  The Board moved Item 10-a on the Agenda, interest on refunded contributions. The Board originally froze interest on member contribution balances in 2013 by Plan amendment, now void due to an improperly noticed meeting. The issue now remains since the new Amendment 1A does not contain all provisions of the old Amendment 1, including payment of interest on member contributions.	Mr. Sugarman reported that he sent a letter to LYNX and to ATU Local 1596 asking the parties to waive bargaining on the issue. He did not receive any response to his request. Bert Francis made a motion to amend the Plan retroactive to the old Amendment 1, eliminating interest on member contributions, subject to approval by LYNX and the union. Donna Tefertiller seconded the motion, approved by the Trustees 6-0.	Open	Sugarman LYNX Union
8b-3.	<b>Plan Financials: Warrant Dated May 22, 2018</b>  The Trustees reviewed the Warrant dated May 22, 2018 for payment of Plan expenses.	Bert Francis made a motion to approve the Warrant dated May 22, 2018. Brian Anderson seconded the motion, passed 6-0.	Closed	None
9.	<b>Benefit Approvals</b>  The Board reviewed the Benefit Approvals for Share Distributions; DROP Distributions; Refunds of Contributions; and Beneficiary, Disability, DROP, Early, and Normal Retirements. The Board discussed the ability to rollover contribution refunds to the employer deferred compensation plan.	Donna Tefertiller made a motion to approve the Share Distributions, seconded by Bert Francis, and approved by the Trustees 6-0 on voting parity. Maria Carrera was not present in the room for the vote.  Donna Tefertiller made a motion to approve the DROP Distributions, seconded by Bert Francis, and approved by the Trustees 6-0 on voting parity. Frank Luna was not present in the room for the vote.  Donna Tefertiller made a motion to approve the Refunds of Contributions, seconded by Bert Francis, and approved by the Trustees 6-0.	Closed	None



		Brian Anderson made a motion to approve the Beneficiary payments, Disability Retirements, DROP Retirements, Early Retirements, and Normal Retirements. Donna Tefertiller seconded the motion, approved by the Trustees 6-0.		
11.	<b>Next Meeting:</b>  The Board previously scheduled the next Quarterly Meeting for Tuesday, August 28, 2018, and a Special Meeting for Wednesday, June 27, 2018.	The Board did not address Item 10-b, Service Provider Reviews, on the Agenda.	Open	Board
12.	<b>Adjournment.</b>	There being no further business, Donna Tefertiller made a motion to adjourn the Meeting at 5:31 PM. Bert Francis seconded the motion, approved by the Trustees 6-0.	Closed	None

Respectfully Submitted,

Bert Francis, Secretary