PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING HELD
JUNE 1, 2017

Chair Dwight Mattingly called the meeting to order at 8:42 AM in the Dale R. Smith Conference Room at the Palm Tran North Facility, 3201 Electronics Way, West Palm Beach, Florida. Those persons present included:

TRUSTEES	**OTHERS PRESENT**
Dwight Mattingly, Chair	Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
John Wilson, Secretary	Ken Harrison, Sugarman & Susskind
Frank Stanzione	Burgess Chambers, Burgess Chambers & Associates
	Chad Little, Freiman Little Actuaries
	Scott Baur, Resource Centers
	Donna Rainey, Assistant County Attorney
	Jon Lewis, Scout Investments

APPROVAL OF THE AGENDA

Dwight Mattingly reordered the Agenda, moving Member Appeals and the Consent to Assignment for Scout Investments.

John Wilson made a motion to approve the Agenda as amended, seconded by Frank Stanzione, and approved by the Trustees 3-0.

PUBLIC COMMENT

No members of the public addressed the Board.

APPROVAL OF THE MINUTES

The Trustees reviewed the Minutes for the Quarterly Meeting of March 2, 2017, and the Special Meeting on March 28, 2017.

Frank Stanzione made a motion to approve the Minutes for the Quarterly Meeting of March 2, 2017, seconded by John Wilson, and approved by the Trustees 3-0.

Frank Stanzione made a motion to approve the Minutes for the Special Meeting of March 28, 2017, seconded by John Wilson, and approved by the Trustees 3-0.

SCOUT INVESTMENTS: JON LEWIS

Jon Lewis reported that UMB financial, a well-capitalized holding company, owns Scout Investments. UMB decided to sell the investment company, since Scout grew but not enough to achieve some economies of scale. Carillon Tower Advisors, a subsidiary of Raymond James, then purchased Scout Investments from UMB.

Mr. Lewis stated that Carillon Tower Advisors planned to make no changes to the investment team or management at Scout. Carillon Tower Advisors also owns Eagle Asset

Management and other investment firms. Burgess Chambers asked if the acquisition by Carillon created any potential conflicts between underwriting at Raymond James and investment management. Jon Lewis explained that Scout does not general invest in any Initial Public Offerings (IPOs). Mr. Chambers and Mr. Lewis further considered best execution in light of the frequent trading by Scout, which Mr. Lewis defined as the lowest overall transaction cost. Mr. Lewis also explained that Scout does use some soft dollar credits from trading for research. Mr. Chambers clarified that Scout becomes part of another Registered Investment Advisor, not a brokerage.

The sale to Carillon is expected to close by the end of the calendar year. While Carillon does not intend to make any changes to the investment team or to management, the company continues to review possible overlap of other staff between Eagle Asset Management and Scout Investments. Ms. Jensen stated that the Board must consent to the assignment of the agreement, since the policy does not allow for automatic assignment of the agreement. Burgess Chambers recommended that the Board agree to the assignment. Mr. Mattingly asked if the Board should wait to consent to the assignment in case some material aspect of the pending transition occurs between now and October. Upon further discussion, Mr. Mattingly noted that the letter from Scout indicates that the investment management team will remain intact.

John Wilson made a motion to agree to the Consent to Assignment, seconded by Frank Stanzione, and approved by the Trustees 3-0.

Mr. Lewis provided an update on recent performance for Scout. The portfolio, net of fees, gained 10.06% year to date compared to a return of 7.61% for the MSCI Midcap 450 Index benchmark. Dwight asked if the increased trading costs for Salem impacted the performance reported by Scout; Burgess Chambers explained that the increased costs to settle trades do not significantly impact net performance. Mr. Lewis reported that the portfolio outperformed the benchmark by 381 bp over the past 10 years to finish in the top percentile, and the portfolio outperformed the benchmark for 8 of the 10 years. The portfolio also generated about 850 bp of performance over the benchmark for the past 12 months. The Board recently made the decision to index half of the actively managed portfolios. Dwight Mattingly noted that the decision by the Board to manage beta or volatility stabilizes the portfolio and the resulting contribution requirements, beyond generation of pure alpha.

Mr. Scout noted that the portfolio holds high quality names in the mid cap space, holdings that should keep their value in a market correction.

Burgess Chambers provided the Investment Policy update to eliminate the hedge fund allocation, combining the target allocation for hedge funds back into the fixed income allocation.

Frank Stanzione made a motion to approve the updated Investment Policy Statement. John Wilson seconded the motion, passed by the Trustees 3-0.

INVESTMENT CONSULTANT: BURGESS CHAMBERS

Mr. Chambers reported that the Plan assets gained $25,354,258 over the past 5 years to close at $96,178,602 as of March 31, 2017. For the quarter, the portfolio gained 4.8% gross and 4.6% net of investment expenses, ahead of the 3.6% benchmark return to rank in the top 32nd percentile. The international portfolio contributed most to performance during the quarter, followed by the Russell 1000 Growth ETF and Vulcan. Mr. Chambers noted that the Westwood MLP gained 26% for the trailing 12 months, followed by Scout at 25.1% and Vulcan at 17.4%. The Intercontinental hedge strategy is liquidating in phases, and the Plan already received the first installment of assets from the liquidation., Mr. Chambers reviewed the current asset allocation, noting a light overweight to domestic equities resulting from recent market gains. The Plan recently rebalanced the entire portfolio.

Mr. Chambers reported that Galliard would not cut their portfolio in half to allow the Plan to index the other half; he therefore completed a fixed income manager search. Other firms will accept a smaller allocation to manage a separate account for similar fees. The index virtually eliminates risk of default from the portfolio due to the large number of holdings. Mr. Chambers recommended that Board hire Garcia Hamilton to replace Galliard as the active fixed income manager for the Plan.

John Wilson made a motion to 50% of the Galliard portfolio to Garcia Hamilton and 50% to the corresponding fixed income market index. Frank Stanzione seconded the motion, approved by the Trustees 3-0.

Noting that 100% of the large growth assets remain indexed, Burgess Chambers reviewed the remaining index allocations. Dwight Mattingly addressed the 8% return assumption. Mr. Chambers has seen few accurate capital market forecasts in the past 32 years. He stated that the Plan can earn 8% with a 10% gain on equities including dividends at 70% of portfolio assets, with fixed income earning 5% for the remaining 30% of assets. According to Mr. Chambers, the market has performed in line with expectations over longer periods. A lower return assumption is easier to exceed, but also increases the normal cost of benefits. Ken Harrison explained that the plan sponsor must pay the normal cost regardless of investment returns. Dwight Mattingly stated that his sole responsibility is to the members of the Plan, and drastic changes were already made to benefits in bargaining.
Burgess Chambers argued that lower investment fees help the Plan achieve the assumed 8% return, while Ken Harrison said that the Plan investments gained only 6.4% on average over the past 5 years. The same amount of money must ultimately get funded to pay benefits, however, either by assumptions or experience gains and losses. The Board

discussed the near-term uncertainty predicting market returns compared to *longer* term real market performance. The Pension Plan assets gained 4.8% annually from 1995-2016, with 10 years below 8% and 10 years above 8%. Chad Little advised that a return assumption should be achieved 50% of the time.

INVESTMENT CONSULTANT: BURGESS CHAMBERS

Chad Little provide funded ratios for Plans across Florida. The Valuation pending adoption by the Board has a funded ratio of 81.7% compared to 84.07% on average for Florida. Mr. Little may revise the Valuation based on assets reported in the audited financial statement, since the draft Valuation uses the assets reported on the interim financial statements. The Board tentatively set a special meeting for the audit of July 10. Chad Little stated that he expected to complete the pending experience study for the December quarterly meeting. He also stated that he will ask for a fee increase once the experience study is complete.

MEMBER APPEALS

The Board moved Item 8 on the Agenda.

Ms. Jensen provided background for informal review process by the Board. The member can formally appeal any decision from the initial or informal hearing, and members can request review of any Board decision in court.

Dwight Mattingly explained the process for Mr. Abreu. The Board must take any action in a properly noticed meeting, and the Board provided Mr. Abreu written notice of the meeting. If the Board denies the appeal by the member in an informal hearing, then the member can make a formal appeal. Mr. Abreu received first notice of an overpayment of his benefit in a letter dated July 13, 2013. In a letter on March 2, 2017, the Board notified Mr. Abreu of the amount of overpayment that he owed with a repayment schedule. Mr. Abreu stated that he never questioned the amount of his benefit and he did not make the mistake regarding the payment. He has bills to pay, and the he already received a lower benefit when the Board originally corrected the payment error. He receives a fixed pension each month, and in response to a question by Dwight Mattingly, he did not keep the employer insurance when he retired.

Mr. Abreu received the $200 medical supplement for 39 months past age 65. Bonni Jensen clarified that his benefit did not reduce when the Board stopped paying the $200 medical supplement, since his benefit was always $951.90 per month. The Board again considered the principles to collect the overpayment from the member. The form signed by the Mr. Abreu at retirement clearly showed that the $200 medical supplement payment ends at age 65. The Board debated whether to recollect the overpayment from Mr. Abreu, weighing the hardship to the member against the obligation by the Plan to pay only the benefit entitled to the member. Mr. Mattingly restated his position that the Board should collect the overpayment from the administrator. The Board, meanwhile, lacks the documentation to determine hardship claim made by the member. The Board also considered the possibility that fighting the matter could cost more than the amount owed by Mr. Abreu.

Donna Rainey inquired whether the employer has the right to challenge a decision by the Board to waive recovery from the member, but the employer lacks standing in the matter.

The Board faced a deadlock vote with one Trustee absent due to voting parity, which requires arbitration. John Wilson indicated that he would consider the hardship claim by the member if Mr. Abreu disclosed all assets and all liabilities.

Frank Stanzione made a motion to accept the appeal by the member contingent upon pursuing payment from the administrator instead, seconded by John Wilson for purposes of discussion.

John Wilson stated that he did not agree with the decision, but to avoid the greater cost of arbitration, he voted for the motion. The motion passed on a vote of 3-0.

The Board heard from all members with overpayments except Lugene Parker. Carolyn Heffner chose not to appeal.

Mr. Abrams joined the meeting by phone. Mr. Abrams briefly reviewed his employment history with Palm Tran for the Board. He stated that he since suffered 5 bypasses and a stroke and indicated that repayment would create a hardship. When asked by Dwight Mattingly, Mr. Abrams stated that he did not continue health insurance with Palm Tran following his retirement. He did not recall the benefit option form he signed when he retired. Mr. Wilson argued that the Board would pay any amount owed to a member if inadvertently missed, so the Plan should likewise recover an overpayment. The Trust Document also states that the Board must recoup an overpayment.

Dwight Mattingly explained due process to Mr. Abrams, allowing him 90 days to appeal a decision by the Board. Mr. Wilson also explained the Board cannot determine financial hardship since Mr. Abrams said that he would refuse to provide financial disclosure. Mr. Abrams responded that he should not be held accountable for a mistake that he did not make.

John Wilson made a motion to deny the appeal, but the motion died for lack of a second. Absent any action by the Board, the appeal must go on the Agenda for the next quarterly meeting scheduled for September. Linda Abrams, spouse of Richard Abrams, briefly joined the meeting by phone to inquire what might happen if Mr. Abrams passed away before repaying the entire amount. Since Mr. Abrams chose a life annuity at retirement, no further benefit payment would continue to Linda Abrams.

ATTORNEY REPORT: BONNI JENSEN

Ms. Jensen addressed Amendment 3 to resolve a discrepancy found in the Plan document, where a either a qualifying participant or a former participant can receive an unreduced early retirement benefit.

Frank Stanzione made a motion to accept Amendment 3, seconded by John Wilson.

John Wilson questioned if the County should be involved in the benefit change. Bonni Jensen explained that the amendment clarified the practice of the Board from past actions and therefore does not change the benefits. Chad Little confirmed that the proposed amendment does not change benefit and has no impact. Any new benefits, however, must go back to the County for bargaining. Donna Rainey agreed that the employer does not oppose a correction to the Plan Document, but sometimes disagreement may exist as to what constitutes a benefit change. She stated that the current proposed amendment does not establish a precedent for any future situation.

The Board passed the motion on a 3-0 vote.

Bonni Jensen reminded Trustees to file the annual Form 1 financial disclosure. She also provided the updated Summary Plan Description. Dwight Mattingly will provide a printer for the SPD to the administrator.

Bonni Jensen then provided a memo summarizing internal controls to prevent fraud. Dwight Mattingly suggested the Board send the controls to Salem and consider for adoption at the next meeting.

Ms. Jensen reviewed a memo discussing options for cyber liability insurance. She recommended the Board consider coverage, although the possible liability in this area is still uncertain. The Board does not know if the County also carries similar insurance protection. Donna Rainey asked if the Board might name the County or Palm Tran as an additional insured the on the fiduciary liability insurance.

MEMBER APPEALS (CONTINUED)

Despite repeated attempts, the Board could not reach Marta Brancato by phone to join the meeting.

Ms. Burkhardt joined the meeting by phone. Dwight Mattingly provided an introduction and identified parties in the room.

Ms. Burkhardt stated that she did not make the mistake that resulted in an overpayment to her. Her spouse, Fernando Murino, joined the call. Dwight Mattingly asked if she kept insurance through the employer following retirement. Ms. Burkhardt stated that she did keep Cigna initially, but she took another plan at age 65. The premium payments to Palm Tran ceased at that point. Ms. Burkhardt stated she is willing to confirm her income and assets to establish hardship. Mr. Wilson responded that he would need such documentation to approve an appeal based on hardship, noting the repayment amount of $78 per month.

Mr. Wilson made a motion to deny the appeal. The motion died for lack of a second.

Dwight Mattingly advised Ms. Burkhardt she could assist in the appeal, but nothing more would happen in the meantime. The Board rescheduled the matter for the September quarterly meeting.

ATTORNEY REPORT: KEN HARRISON

Ken Harrison provided an update from the recently ended legislative session. He reported that the Florida Retirement System now defaulted to the defined contribution plan with members required to opt for the defined benefit plan. Some adjustments were made to the public records bill.

The IRS delayed a rule on in-service distributions. Mr. Harrison reported that IRS Determination Letter is still pending.

PLAN FINANCIALS

John Wilson made a motion the Plan Financials on the Agenda, seconded by Frank Stanzione, and approved by the Trustees 3-0.

John Wilson made a motion to add the County and Palm Tran as named insureds to the fiduciary liability insurance policy, otherwise to bring the issue back to the Board. Frank Stanzione seconded the motion, approved by the Trustees 3-0.

The Board received and filed the interim financial statement.

The Board then reviewed the accounts payable for current invoices and payments.

Frank Stanzione made a motion to ratify the disbursements. John Wilson seconded the motion, approved by the Trustees 3-0.

The Board had no benefits for approval.

OTHER BUSINESS

Bonni Jensen provided her updated agreement to reflect the recent fee change.

BOARD COMMENTS

The Board reported that Joe Doucette resigned from Palm Tran effective June 3, 2017. John Wilson reminded the Board that he also planned to retire on January 31, 2018.

The Board again discussed the member appeals regarding overpayments. Ken Harrison advised the Board should consider each situation based on its own merits. The Board completed the process with Marta Brancato, who failed to appear in person or by phone for the informal hearing. The Board also finished with Lugene Parker, who failed to respond in any manner.

Dwight Mattingly asked Ken Harrison to complete a Request for Proposal for the plan administrator.

John Wilson made a motion to direct Ken Harrison to do a Request for Proposal for Plan Administrator, seconded by Frank Stanzione, and approved by the Board 3-0.

The Board had no other comments.

ADJOURNMENT

The Board previously scheduled the next quarterly meeting for Thursday, June 1, 2017, and a Special Meeting to review the annual valuation on Tuesday, March 28, 2017. **The meeting adjourned at 12:00 PM.**

Secretary