

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING HELD
September 26, 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

Dwight Mattingly, Chair
John Wilson, Secretary
Sean Smith
Frank Stanzione

OTHERS PRESENT

Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Dustin Watkins & Ken Harrison, Sugarman & Susskind
Burgess Chambers, Burgess Chambers & Associates
Chad Little, Freiman Little Actuaries
Scott Baur, Resource Centers
Neal Renuart, Cherry, Bekaert & Holland
Betty Garrett, Palm Tran Inc.
Evelyn Burkhardt (by phone)
Additional Members of the Public

APPROVAL OF THE AGENDA

Dwight Mattingly reordered items on the Agenda.

Frank Stanzione made a motion to approve the Agenda as amended, seconded by John Wilson, and approved by the Trustees 4-0.

APPROVAL OF THE MINUTES

The Trustees reviewed the Minutes for the Quarterly Meeting of June 1, 2017.

Frank Stanzione made a motion to approve the Minutes for the Quarterly Meeting of June 1, 2017, seconded by Sean Smith, and approved by the Trustees 4-0.

Chair Mattingly welcomed Sean Smith, Deputy Director of Operations for Palm Tran, to the Board. He previously served as a pension trustee for prior employers as well. Mr. Mattingly strongly recommended that Mr. Smith, along with the other Trustees, seek educational opportunities to assist in their role on the Board. Mr. Smith stated that he could not attend the FPPTA Fall Trustee School due to prior scheduling commitments.

PUBLIC COMMENT

Dave Deverman, retired as of December 1, 2016, addressed the Board. He has since collected an estimated benefit now for 8 months, so he questioned the process and time required to complete the calculation and setup of his pension benefit. Mr. Little stated that he would provide the final calculation for Mr. Deverman within the week. In response to questions from John Wilson, Mr. Baur reviewed the timing and the circumstances responsible for the unusual delays. Ms. Jensen, meanwhile, reviewed the

PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017

Board Policy for retiring members. Under normal circumstances, the process typically requires about 8-10 weeks from start to finish.

→ OLD BUSINESS: MEMBER APPEALS

Evelyn Burkhardt joined the meeting by phone.

Ken Harrison summarized the notification she received regarding the overpayment of her medical supplement beyond age 65. Dwight Mattingly ^{Stated} insinuated that the Resource Centers should reimburse the Plan for the overpayment, even though ASI overpaid the benefit as the prior administrator retained by the Board. Despite the scant information transmitted by ASI in the 2006 transition, Mr. Mattingly based his claim on the premise that the Resource Centers might somehow have identified the overpayment sooner. Mr. Baur rejected this premise, noting that the Board accepted responsibility for the data provided to his firm by written agreement.

Evelyn Burkhardt provided a copy of her tax return as requested by the Board, to establish that the proposed repayment would impose a hardship. John Wilson asked about the precedent the Board might establish to consider the financial circumstances of the member. Mr. Harrison advised that the Board should separately consider the merits of each appeal. While Dwight Mattingly asserted that the member did not make the payment error, John Wilson argued that members should not be unjustly enriched beyond the benefits defined by the Plan. Mr. Harrison, meanwhile, stated that the Board has a fiduciary obligation to recoup the overpayment.

John Wilson made a motion, seconded by Sean Smith, to recover the overpayment to Evelyn Burkhardt from the lump sum death benefit based on the documented hardship.

Bonni Jensen explained the death benefit provisions of the Plan, which pay the beneficiary of a retired member \$7,500 at death. Dwight Mattingly countered that the matter should become a claim against the fiduciary liability insurance held by the Resource Centers. Mr. Baur dismissed this argument as ludicrous, since his firm should not be held liable for an error by another firm provided through data for which the Board remains responsible to this day. Mr. Wilson stated that the Board would correct an underpayment, so the Board should also recover an overpayment in an equitable manner. Dwight Mattingly suggested that the hardship documented by Evelyn Burkhardt might extend to the life insurance benefit, but Ken Harrison explained that he cannot assert a hardship on behalf of a member as a fiduciary to the Plan and all members. The Chair called the motion.

The motion passed on a 3-1 vote, with Dwight Mattingly voting against the motion.

Mr. Baur explained that Mr. Abrams subsequently questioned whether the Board paid the lump sum refund benefit due to him at retirement, suggesting a counter claim to the

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017**

overpayment made by ASI. Mr. Baur researched the payment data and file documentation provided by the prior administrator. The documentation shows that the Plan paid a lump sum retro payment to Mr. Abrams at retirement that included the refund benefit as well. No further documentation, however, established that he actually received the payment. Sean Smith stated that the Board should act on the facts of the situation rather than undocumented allegations. The Board requested that Mr. Abrams provide documentation of financial hardship, but Mr. Abrams produced no documentation.

Richard Abrams then joined the meeting by phone.

Dwight Mattingly explained that the Board would discuss his appeal, and he summarized the discussions for Mr. Abrams that had already taken place. Mr. Mattingly asked if Mr. Abrams produced any documentation to demonstrate hardship.

John Wilson made a motion to reduce the payment to Mr. Abrams by the \$125.71 as proposed in the letter requesting repayment. Mr. Smith seconded the motion.

Mr. Abrams addressed the Board. He reviewed the original notice he received in a letter in 2014. He argued that he should not be held responsible for an error by another party, stating the Plan had a responsibility to pay his benefit correctly. Mr. Abrams did not deny that he received the payments. Ken Harrison noted that the Board gave Mr. Abrams an opportunity to demonstrate hardship, but he failed to provide any such documentation. Mr. Abrams acknowledged that he was given that opportunity. He noted that the original 2014 notice he received identifying the overpayment did not immediately seek repayment. Frank Stanzione expressed his mixed feelings, noting that his bank would not let him keep funds mistakenly deposited to his account.

The Chair called the question.

The motion passed 4-0.

ATTORNEY REPORT: DENNIS MCCABE DEATH BENEFIT

Ms. Jensen reported that Dennis McCabe terminated from his employment at Palm Tran in June 2013. He became eligible for early retirement in May 2017 with a reduced benefit and normal retirement in 2027. He passed away in 2016 while a vested deferred member of the Plan. Mr. McCabe was previously married and divorce twice. His first divorce included a marital agreement that addressed his pension benefits, while his second divorce did not include any provisions for his pension. Alexandra McCabe, the first spouse, filed documents with the administrator in July 2016.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017**

Ms. Jensen reviewed the relevant provisions of the Plan Document in light of the facts. Clearly no benefit is due to the second spouse since he was not married at death and the divorce included no provisions for the pension benefit. The Plan defines Mr. McCabe as a former participant at the time of his death, so no lump sum benefit is payable as well. At the very least, the Plan must pay a refund of contributions to the beneficiary or estate of Mr. McCabe. If the Plan recognizes Alexandra McCabe as a joint annuitant, on the other hand, then she should receive a monthly benefit instead. The Plan does not allow for division of benefits in divorce by QDRO (Qualified Domestic Relations Order), only court ordered alimony and child support.

Section 7.4 of the Plan Document allows a member to make an interim election for a contingent annuity. Alexandra McCabe filed documents with the administrator in July 2016. Ms. Jensen reviewed the requirements in the Plan for a member to designate a contingent annuitant. Mr. McCabe made the designation by way of the marital agreement after his divorce. The designation therefore meets the requirement in Florida Statute to qualify as an exception to the more recent action that nullifies a spousal beneficiary in case of divorce.

The member must designate the contingent annuitant on a form prescribed by the Board. If the Board does not accept the designation of a contingent annuitant by Dennis McCabe, then his daughters are entitled to a benefit consisting of equal shares of his refund of contributions. Ms. Jensen addressed whether the Board might accept the court order as a proper designation of a joint annuitant. The Board has no prescribed form for this purpose, while the designation by Mr. McCabe was not filed with the Board until after his death. Since the Board has no form, Ms. Jensen advised the Board can accept the court order as the prescribed form. The order appears to have originally been addressed to Carol Heffner at Palm Tran in 2005.

Ken Harrison stated that the court order provides for a designated benefit at a very specific date. Ms. Jensen offered three possible dates to commence benefits if the Board accepted the designation of a contingent annuitant by Mr. McCabe: the early retirement date of May 2017, and the unreduced early retirement date, or the normal retirement date in 2027. The Board must first accept the designation of a contingent annuitant.

Frank Stanzione made a motion to accept the designation by Dennis McCabe to make Alexandra McCabe his contingent annuitant, allowing the court order as a form prescribed by the Board. John Wilson seconded the motion, approved by the Board. 4-0.

Chair Mattingly acknowledged that Alexandra McCabe made an application for benefits. Chad Little indicated that he would provide a calculation of the contingent annuity to commence at either the 2027 normal retirement date or the reduced benefit at the May 2017 arly retirement date. Alexandra McCabe can then commence receipt of a benefit any time between 2017 and 2027. If for any reason that Alexandra McCabe does not

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017**

receive her benefit as contingent annuitant, a minimum benefit consisting of a refund of contributions is always payable from the Plan.

AUDITOR: NEAL RENUART (CHERRY, BEKAERT, & HOLLAND)

Mr. Renuart stated that the auditor will issue an unmodified (clean) opinion with respect to the December 31, 2016 financial statement. The auditor did not identify any weaknesses or deficiencies, nor any reportable compliance issues. He explained the new GASB requirements increased the disclosures related to invested assets in the footnotes, but there were no other material changes to the accounting or presentation of the financial statement. Mr. Renuart reported no uncorrected past adjustments, no material weaknesses, and no disagreements with management.

The Plan had total assets of \$93,500,289 as of December 31, 2016, increased from \$86,912,864 the prior year. Mr. Renuart attributed most of the increase to gains on investments. Mr. Renuart reviewed the investments and risks, the administrative expenses, and the required disclosures giving the net position as a percent of the total liability. At 16.7 bp, the Plan has very low administrative expenses. The Board considered the implications of the net position ratio.

Frank Stanzone made a motion to accept the financial statement as of December 31, 2016. John Wilson seconded the motion, approved by the Trustees 4-0.

CUSTODIAN: KAREN RUSSO (SALEM TRUST)

Karen Russo reviewed the Service Report for Salem Trust, noting transactions and other service standards monitored by the custodian. She then reviewed the current list of firms and individuals with access to statements and reports for the Plan. Finally, she reviewed additional documents for the Globe Tax service related to Japan.

Karen Russo addressed fraud controls in place at Salem Trust. Salem completes an annual SSAE-18 SOC 1 Type 2 audit. Ms. Russo explained the control objectives for cash receipts and disbursements and reconciliation of accounts. Salem will only act on written instructions provided by an authorized signor. Wire transfers are entered by one person and reviewed by a second person, in addition to any verifiers required by the Board. Salem has a call-back procedure for first-time wires as well. Salem does not make any current payments or invoices on behalf of the Plan, but Salem issued 75,612 such payments in the prior year. Salem does not issue any benefit payment by check, instead requiring all members to have a direct deposit of their benefits.

Dwight Mattingly asked Ms. Russo to remain at the meeting to discuss processing of payments. Ms. Russo confirmed that Salem will administer deductions from payments along with the necessary reports, the custodian can provide data extracts for mailing to

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017**

members, and Salem issues Forms 10999R and completes the related annual Form 945 filing. All members receive a monthly deposit advice. Ms. Jensen asked about the security of member information. Karen Russo stated that Salem has protected systems and processes benefit payments through US Bank. Salem Trust predominantly serves public pension plans in Florida. Accordingly, Dwight Mattingly asked about disaster recover procedures. Members typically deal with the Plan Administrator and do not contact Salem Trust directly. Salem Trust also does not calculate any benefits.

Frank Stanzione made a motion to accept the presentation by Salem Trust, including the confirmation for parties receiving statements and the authorization for additional forms related to the Globe Tax service. Sean Smith seconded the motion, approved by the Board 4-0.

INVESTMENT CONSULTANT: BURGESS CHAMBERS (BURGESS CHAMBERS & ASSOC.)

Burgess Chambers reported that more than half the Plan assets are now invested in passive strategies. Galliard would not accept a mandate to manage a smaller fixed income portfolio, so the Board transitioned the actively managed fixed income portfolio to Garcia Hamilton. The Board did not address management of the TIPS portfolio by Galliard. Mr. Chambers recommended an alternative passive ETF strategy for the TIPS.

John Wilson made a motion to terminate the Galliard TIPS portfolio on the advice of the Investment Consultant. Sean Smith seconded the motion, passed by the Trustees 4-0.

Mr. Chambers recommended an iShares TIPS replacement for Galliard. When asked about fees and performance, Mr. Chambers indicated that he would choose the best available option.

Sean Smith made a motion to move the Galliard TIPS portfolio into the most efficient TIPS ETF product available, seconded by Frank Stanzione, and approved by the Board 4-0.

Burgess Chambers addressed the selection of cash sweep products available to the Plan at Salem Trust. The Plan uses a government obligations money market fund with a guaranteed NAV or Net Asset Value.

Frank Stanzione made a motion to follow the recommendation of the Investment Consultant on the selection of a sweep account. John Wilson seconded the motion, approved by the Board 4-0.

Finally, Scout continues to provide strong performance but generates high trading volumes, resulting in approximate fees of \$1,000 per month to settle trades through the custodian. The commingled fund alternative to the separate account that Scout manages for the Board has higher fees of 1.04%, so even with the additional trading costs Burgess

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017**

Chambers recommended no changes to the management of the portfolio. The Board agreed with the recommendation of the Consultant by consensus.

Burgess Chambers reported that the Plan has total assets of \$98,688,567 as of June 30, 2017, and those assets now exceed \$100M at approximately \$102M total. For the calendar year to date the assets gained 5.5% as of June 30 and about 7.5% through the September 26 meeting date. The portfolio gained 2.6% gross of investment fees for the quarter ending June 30, 2017, compared to a gain of 2.2% for the applicable benchmark. For the trailing 12 months ending June 30, the assets gained 12.7% compared to 11.5% for the benchmark to finish in the top 37% of the peer universe. Over 5 years, the portfolio gained 8.2% compared to 8.7% for the benchmark.

Burgess Chambers discussed the current market environment, including the amount of cash in play in the system resulting from monetary policy. Better performing plans have a higher allocation to equities. Mr. Chambers reviewed the current and historical asset allocation for the Plan, noting that the current environment posed challenges going forward as equities become increasingly expensive while yields on bonds remain low. The Plan takes more risk with a greater exposure to equities compared to times past to achieve the same overall investment results. The Plan has explored all the possible alternative allocations available except for private equity. The newer 60% overall allocation to passive strategies has improved performance with lower costs. Mr. Chambers continued to review performance for each manager allocation. The MLPs held by the Board have not performed well, while the Board continues to wind down the position in hedge funds.

Mr. Chambers does not recommend any further changes to the asset allocation at this time. He reviewed compliance of the portfolio with the objectives stated in the Board Investment Policy.

ACTUARY: CHAD LITTLE (FREIMAN LITTLE ACTUARIES)

Chad Little reviewed the final actuarial valuation. The Plan now has a funded ratio of 82.7%.

John Wilson made a motion to approve the Valuation as of January 1, 2017. Frank Stanzione seconded the motion, passed by the Trustees 4-0.

Mr. Little reported that his firm would begin work on the experience study previously authorized by the Board with a review of current data questions. Mr. Mattingly proposed that the Board meet more frequently to address any matters related to the transition in plan administration. The Board further considered the audit and the timing for the next engagement.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017**

ATTORNEY REPORT

Bonni Jensen deferred a legislative update on public records to Ken Harrison. She reported that new members of FRS will default to the defined contribution option starting on January 1, 2018. The Florida legislature will also hold a referendum to give homeowners an additional \$25,000 exemption on the value of properties between \$100,000 and \$125,000, expected to pass. She noted the Board approved but has not yet signed Amendment 3.

Dustin Watkins reviewed changes to Florida public records laws, where prevailing parties automatically get attorney fee. Now parties litigating over records requests cannot recover attorney fees with proper notice given by the Plan.

Ken Harrison reported on the results to the Request for Proposal for Plan Administration Services. The Board received one proposal from Benefits USA for a \$3,500 monthly retainer. Mr. Harrison received no other responses, although he provided the RFP document to more than 10 plan administrators in Florida. The Resource Centers, meanwhile, gave notice of termination to the Board. Dwight Mattingly considered whether the Board should hire an in-house administrator, possibly using staff at the plan sponsor to assist with members. Salem Trust can process the payment of benefits and invoices. These issues loom as a larger group of members prepares to retire from the Plan. The members prefer to deal with an administrator locally.

The Board considered the cost to move payment of benefits and invoices to Salem Trust. Salem Trust charges \$12 to process each invoice, \$5 per lump sum payment, and \$3 for each recurring benefit payment. The Board estimated total costs based on current activity at \$13,000 per year. The Trustees discussed 5 areas related to the operation of the Plan: payments, customer service, processing of benefits, clerical tasks, and interim financial statements. Benefits USA does not pay benefits, instead using the custodian. The Trustees discussed the logistics required to hire a local employee or independent contractor as an alternative to a plan administration firm. The Trustees also asked the Resource Centers to describe any operational support the firm could or might provide to a local employee or independent contractor retained by the Board. Frank Stanzione departed the meeting.

Dwight Mattingly passed the gavel to John Wilson.

Dwight Mattingly made a motion to meet with the Resource Centers to explore operational support and some continued services, forming a committee to include himself and Sean Smith, to bring options back to the Board for consideration. Sean Smith seconded the motion, approved by the Trustees 3-0.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017**

ADMINISTRATOR REPORT: SCOTT BAUR (RESOURCE CENTERS)

Mr. Baur provided the fiduciary liability insurance renewal.

Sean Smith made a motion to approve the renewal, seconded by John Wilson, and passed by the Trustees 3-0.

Mr. Baur reviewed options for stand-alone coverage for Cyber Liability provided by Lloyds through United Members Insurance. Bonni Jensen explained that the separate coverage pays for expertise, notification, fines, ransomware, system damage, and so forth. Ms. Jensen and Mr. Harrison both recommended the Board take additional coverage, given frequent changes on the technology front. The Board cannot identify all of the potential liability for the next year in advance.

John Wilson made a motion to approve the proposed Cyber policy with a \$250,000 policy limit and \$250 deductible. Sean Smith seconded the motion, passed by the Trustees 3-0.

PLAN FINANCIALS

The Board received, reviewed, and filed the interim financial statement. The Trustees then reviewed the Warrant for accounts payable dated September 7, 2017.

John Wilson made a motion to ratify the Warrant dated September 7, 2017, seconded by Sean Smith, and approved by the Trustees 3-0.

The Board reviewed a memo listing all retirement benefits currently in process of commencement. Chad Little confirmed the status for various benefits pending final calculation. Dwight Mattingly asked for continuing updates as the administrator processes benefits.

TRANSITION MEETING SCHEDULE

The Board further considered possible details related to a transition in the administration of the Plan. Karen Russo stated that Salem Trust would not negotiate fees to pay benefits and invoices. She also clarified some details related to payment of the medical supplement to eligible members. Ms. Russo discussed remittance for deductions from benefit payments with staff representing Palm Tran. Ken Harrison will update the current Agreement with Salem Trust in anticipation that Salem Trust will ultimately assume responsibility for the payment of benefits and invoices.

The Board considered the next meeting date, and rescheduled the meeting from December 7 to December 6, 2017.

PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF MEETING: SEPTEMBER 26, 2017

BOARD COMMENTS

Dwight Mattingly welcomed Sean Smith to the Board and thanked him for agreeing to serve.

As Mr. Mattingly addressed opportunities and resources for Trustee education, he noted that the Board membership to the FPPTA and the IFEBP would renew for 2018.

John Wilson made a motion to renew the Board membership in the FPPTA and IFEBP for 2018, seconded by Sean Smith, and approved by the Trustees 3-0.

ADJOURNMENT

There being no further business, Sean Smith made a motion to adjourn the Meeting at 2:55 PM, seconded by John Wilson, and approved by the Trustees 3-0.


Secretary