

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

Chair Dwight Mattingly called the meeting to order at 8:32 AM in the Dale Smith Conference Room at 3201 Electronics Way, West Palm Beach, Florida 33407. Those persons present included:

TRUSTEES

Dwight Mattingly, Chair
Frank Stanzione
Sean Smith
Lisa Pontius

OTHERS PRESENT

Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Ken Harrison, Sugarman & Susskind
Frank, Burgess Chambers & Associates
Chad Little, Freiman Little Actuaries
Mary Shah, Strategic Benefits Advisors
Stephanie Atli, Strategic Benefits Advisors
Linda Jerry, Palm Tran Inc.
Brian Liffick – Cherry Bekaert
Kevin Ryan – Barings
Melissa King – Barings
Karen Russo – Salem Trust
Wanda Gordon – Salem Trust

Sean Smith was running late and arrived at 8:39 AM.

APPROVAL OF THE AGENDA

Frank Stanzione made a motion to approve the Agenda, seconded by Lisa Pontius, and approved by the Trustees 3-0.

There was no public comment.

APPROVAL OF THE MINUTES

The Trustees reviewed the Minutes for the Special Meeting of October 31, 2017.

Frank Stanzione made a motion to approve the Minutes for the Special Meeting of October 31, 2017. Lisa Pontius seconded the motion, approved by the Trustees 3-0.

Dwight Mattingly noted on page 4 of the Minutes for the Quarterly Meeting of March 1, 2018 should reference Donna Raney. Frank Stanzione made a motion to approve the Minutes for the Quarterly Meeting of March 1, 2018. Lisa Pontius seconded the motion, approved by the Trustees 3-0.

REPORT FROM AUDITOR: BRIAN LIFFICK (CHERRY BEKAERT)

Brian Liffick from Cherry Bekaert presented for the year ended 12/31/2017. He disclosed there were no material weaknesses, no deficiencies, or no reportable noncompliant issues found. Mr. Liffick indicated a management letter would be drafted effective today after Board approval of the draft financials.

Mr. Liffick noted the good financial results for the year. Cash went down but cash was inflated prior year because the employer contribution was not yet invested. At year-end the Investment Policy was

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

not in compliance but the Investment Policy was updated at the March 1, 2018 to rebalance the portfolio. Expenses were comparable to the prior year.

There were no questions by the Trustees or the Actuary.

Ken Harrison informed the Board that a written response to the Investment Policy compliance issue would be advised. The response should indicate that the Board was aware of the Trust allocation and investment changes were in transition and finalized at the March 1, 2018 meeting. Frank Wan of Burgess Chambers Associates will draft the response.

Frank Stanzione made a motion to adopt and approve the audit report and draft financials as of 12/31/2017, seconded by Sean Smith, and approved by the Trustees 4-0.

Dwight Mattingly acknowledged that the scope of work went according to the timeline. He asked what should be the actual time to get the audit completed. Mr. Mattingly said he had been told that 3 months after year-end should be enough time.

Mr. Liffick agreed that 3 months should be enough time, however, the audit took longer this year because of the transition in administrators. Mr. Liffick noted that delivery for a March 1 meeting would be too early. Mr. Liffick agreed to present a status update of the audit to the Board at next year's March meeting.

Ken Harrison will add this requirement to the engagement letter. The engagement letter will be drafted in October and presented to the Board to be approved and signed at the December meeting.

INVESTMENT MANGER: KEVIN RYAN (BARINGS)

Kevin Ryan noted that he is an expert in the Barings Core Property Fund (BCPF) in the U.S. Mr. Ryan gave a broad overview of Barings infrastructure and that the Real Estate group sits in Alternative Investments. The Palm Tran investment is in the U.S. Core Real Estate group. Mr. Ryan talked about how the team is structured regionally and this regional structure helps them be close to assets they manage.

The Commingled Open Access Fund includes real estate across the U.S. The fund has 56 assets and the fund is a private asset and is not publicly traded. Focus is on the West, South and East because the strongest markets. Bonni Jensen asked about the range in retail investments. Mr. Ryan said the focus was on brick and mortar retail, however, no malls.

The BCPF has less than 10% non-core risk. The fund would rather take on lease up risk than construction risk. Industrial Strategy is to take advantage of e-commerce risk (i.e. Amazon).

A question was asked if public transit plays a role in development of prime real estate. Mr. Ryan responded that it does and the walk ability score is an important piece.

There was another question about the chart on page 18 of the presentation and how to read the chart. The risk when leases come due chart shows lease expiration exposure. Gray shows overall leases and color shows filled leases. Properties are 92% leased.

A follow-up question was how Barings addresses 10% of the portfolio lease coming due. Response was that this is actually good because there are rolling leases and a typical lease is 7 years.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

Mr. Ryan was asked to address the cost of loans and rising interest rates. Mr. Ryan responded that the strategy is to borrow at fixed rates. Where there are variable rates, Barings buys a swap to lock in at a fixed interest rate. The average cost of debt is low at 3.9%.

Mr. Ryan also noted that Barings will request a change to fees and LP's. They will propose reducing fees to 1% for the first \$25 million. This reduction of 0.1% on \$11 million investment is real savings.

Frank Stanzione made a motion to approve the Barings report, seconded by Sean Smith, approved by Trustees 4-0.

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

Frank Wan opened that the first quarter of 2018 for market was not good, but plan diversification worked wonderfully. For the quarter ending March 31, 2018, the assets experienced a loss of \$330K or -0.2% (-0.3% net) beating the benchmark (-1.0%).

For the one-year period, the portfolio gained \$8.2 million or +8.8% (+8.3% net) ahead of the 35/15/50 benchmark (+7.9%) and the strategic benchmark (+7.7%). The Plan had total investment assets of \$105,891,907 as of March 31, 2018. For the 5-year period, the portfolio gained 7.2% (+6.6% net) per year ahead of the 35/15/50 benchmark (+6.5%) and similar to the strategic benchmark (+7.4%).

Mr. Wan then reviewed the individual manager performance, report. The four best performing funds were: Fisher All Foreign equity (+3.8%), Vulcan Large Cap Value (+3.1%), SPDR convertibles (+2.6%), and Barings private real estate (+1.8%). Managers did a good job managing risk. He reported that Vulcan, Garcia Hamilton, American Funds EuroPacific Growth, and Westwood MLP outperformed the benchmark for the quarter. Scout was similar to the benchmark for the quarter. In order to save cost, convertibles had been moved to passive strategy SPDR ETF fund. Fisher's comparison numbers are a bit skewed because of the timing of their exit.

Mr. Wan mentioned that REITs is an area of concern. Public real estate investments, such as Simon Malls, have a different debt exposure as compared to private real estate (35% compared to 20% in Barings). This debt exposure is directly impacted by increasing interest rates. He advised to be patient, the investment is up so far this quarter and only down 1% this year compared to -7.6% for the quarter ending March 31, 2018.

Mr. Wan noted that the Plan should receive the proceeds from the Intercontinental Hedge fund since the audit is now complete.

Mr. Wan explained that it was announced MLPs are now taxable. As a response, CEO's made a podcast explaining that this change would have no impact which drove MLP assets back up. This asset is very volatile and more stability is desired. Six MLPs decided to roll up to parent company. Mr. Wan's recommendation is to ride the cheapness of the MLPs back up to value before exiting. The first diversification within Infrastructure was to add Cohen & Steers. He recommends adding more to Cohen & Steers as the Plan moves away from MLPs. He is looking to see when things stabilize especially in the oil market overseas.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

Mr. Wan noted that the Investment Policy Review shows an increased probability to make 8% return, however, the 8% return will be challenging this year. 90% of the upside has been captured with only 30% of the downside.

Mr. Wan reported that no rebalancing is recommended at this point in time. He is looking at MLPs and REITs for replacement.

Frank Stanzone made a motion to approve the Investment Consultant's report, seconded by Sean Smith, and approved by the Trustees 4-0.

Mr. Won reported on Cohen & Steers CIT mutual fund and the ability to access quickly with fees of only 1%. BCA has asked Ken Harrison's office to evaluate the Cohen & Steers documents and create a side letter. Ken Harrison has reviewed the documents. The side letter is with Cohen & Steers. Note that the side letter is needed because their documents do not follow Florida Statute 112.

Frank Stanzone made a motion to complete the documents and move away from the Cohen & Steers Global Infrastructure mutual fund to the Cohen & Steers CIT fund pending the completion of the side letter, Lisa Pontius seconded, approved by Trustees 4-0.

Once the side letter comes back with their signature, Dwight Mattingly will sign the documents.

ACTUARY REPORT: CHAD LITTLE

Mr. Little presented the Experience Review covering the period 2013 – 2017 and the Annual Actuarial Valuation Report. Recommendations from the experience review have been included in the actuarial valuation results as directed by the Board of Trustees at the March 1, 2018 meeting. The Appendix of the experience review report includes the assumption impacts.

Mr. Little reported the experience review findings. The average annual return over the last 10 years was +5.3% (MVA) and +5.4% (AVA). The mortality assumption is dictated by FRS, however, the report shows the mortality experience. VT deaths look high because of recent death searches and data cleanup.

Payroll growth is important since funding is based on level percentage of pay. Aggregate payroll cannot grow more than the average 10 year growth (+2.3%). No change is recommended to the individual salary growth assumption. FLA did revise pay to use the last 10 years of history and to use the FAE from the statement as a minimum.

The current retirement assumption for Tier 1 was 100% at the earliest unreduced retirement age. Experience shows employees are working longer, only 1/3 of those expected retired at the earliest unreduced age. Recommendation is to extend out retirement assumption.

Termination experience was higher than expected. Recommendation is to shift to a service based termination assumption.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

Disability retirements were half of the expected occurrences. Recommendation is to cut the disability rate. It was noted that there are several disability retirements in the pipeline but then there may not be any over the next 4 years.

Mr. Little present the valuation results. Pay increases were 6.3% vs. 8.4% expected. Market value of assets returned +13.4%, however, Actuarial Value of Assets only returned +7.0% due to asset smoothing. The funded liability percentage increased from 82.71% to 85.56%. Page 18 of the presentation shows the individual impacts. The minimum contribution increased from \$5.5 million to \$5.8 million. Page 19 of the presentation shows the individual impacts.

GASB 67 results build to 10 year history. There were gains on both assets and liabilities. The net funded position increased from 77.7% to 85.2% from last year. This measure can be very volatile from year to year.

Dwight Mattingly asked if the benefit changes made are reflected in results on page 18. Mr. Little responded that the changes only impacted behavior and that the changes really didn't impact Tier 1 where retirements are currently being measured.

Frank Stanzione made a motion to adopt the valuation including the recommended assumption changes, Sean Smith seconded, Trustees approved 4-0.

Mr. Little presented the impact of lowering the Assumed Rate of Return by 0.1%. Mr. Little recommended lowering the return for at least the 2019 valuation. Lowering the ARR by 0.1% had the following impact on the 2018 valuation results:

PVB	+\$2,034,391
Unfunded Accrued Liability	-\$1,234,586
Funded Percentage	-0.84%
Normal Cost	+\$79,302
Required Contribution	+\$165,956

The sensitivity given to the state for a 2% decrease in the return (6% vs. 8%) was \$4 million increase in required contribution.

FLA and BCA will provide detailed recommendation for a change in ARR at the September meeting from an actuarial and investment perspective.

Based on input from the Investment Consultant and the Actuary, Frank Stanzione made a motion to approve the Actuary and Investment Consultant to complete a study to be presented at the September meeting to drop the return by 0.1% for the 2019 valuation which won't affect the County contribution until 2020, Sean Smith seconded, Trustees approved 4-0.

Frank Wan commented 75% of plans are at 7.5% or lower. State lowered their return to 6.8% or 6.9%. In viewing long-term investments, it is appropriate to look at a 30-year history.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

Based on recommendation from the Investment Consultant, Frank Stanzione made a motion to approve the Assumed Rate of Return of 8% over short, mid, and long term for the 2018 valuation, Sean Smith seconded, approved by Trustees 4-0.

Mr. Little let the Board know that vacation and sick accrued payout comes with hours. Mr. Stubbs went from being 3 months into year from anniversary to getting full year credit because of all of the hours accrued. Attorneys said that as long as 4/20/2014 limit is being applied this is okay.

Mr. Little asked Betty Garrett about the report that goes to SBA with hours and pay, if an overtime (OT) hour worked is reported as 1 or 1.5 hours to sync up with pay? There is a special OT non pensionable earnings provision for those over 300 and we want to make sure it is being administered properly.

Mr. Little also brought up a nuance for Tier 3 and Tier 4 people that should be reflected in benefit statements. If Tier 3 and work between 4.5 and 5 years, all pay should be divided by 5 years. If Tier 4 and work between 7.5 and 8 years, all pay should be divided by 8 years.

Attorneys noted they would like to talk about accumulated leave and its affect.

Dwight Mattingly asked if greater than 300 hours OT should be excluded from service. Similar thinking for vacation payout. Issue that 300 hours limit is based on calendar year and not anniversary year.

Attorneys need to review and likely offer an opinion. May need to make an amendment to clarify language.

Short recess from 11:09 to 11:20.

ATTORNEY REPORT: BONNI JENSEN AND KEN HARRISON

Bonni Jensen presented a memo about a client case as a reminder about the Sunshine Law – cannot act as a Conduent for meeting business. There was a meeting where not enough notice was given (only 21 hours) and the meeting didn't allow for public comment or allow for discussion.

There were two items not discussed in the memo:

Email – best practice to include reminder on email to “Don't Reply All”

Social Media – shouldn't communicate in online world as public discussion

Bonni Jensen reminded the Trustees that Form 1 is due July 1 and should be filed in County that you reside. There is a \$25 fine for each day you are late. File so that you can prove it

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

has been filed. Certified Mail and FedEx are acceptable. Lisa Pontius confirmed that email is okay as well.

Ms. Jensen presented the SPD for updated plan administrator information, death and vesting sections.

Frank Stanzone made a motion to approve the revised SPD pending the 2018 actuarial valuation update, Lisa Pontius seconded, approved by Trustees 4-0.

The SPD will be mailed to active employees and printed in booklet format. SBA will get quotes from a union printer.

Ken Harrison gave an update on state legislation. For workers compensation, PTSD is being added as a reason for disability. This could result in an increase in that type of disability on applications.

Dwight Mattingly commented about the public meeting notifications and that there needs to be some type of accountability. Bonni Jensen suggested that we get email notification that the meeting was posted. The posting must follow how Palm Tran posts all of its public meetings. Meeting should be posted on County Board Meeting site and at Information Centers.

Attorneys will send official letter to Palm Tran how meetings should be posted.

Mr. Mattingly commented that he hears informally that retirees don't know about meetings.

Bonni Jensen addressed Amendment 4 – This was in response to the disability service crediting language conflict discussed at the March meeting. Ms. Jensen looked back to the 1994 Plan which copied the DOL hourly service language about 501 hours. In that same plan had the 40 hours per week up to year for disability language.

Ms. Jensen suggests deleting the military and disability items from hours of service because not purposely set forth in that section.

The Actuary will need to complete a cost impact statement even though there will be no cost associated with this change. The Board agrees that this is the direction to take.

CUSTODIAN REPORT: KAREN RUSSO

Karen Russo presented several memos.

Class Action Processing – there have been an increased number of lawsuits and Salem Trust can no longer absorb the cost of processing.

Dwight Mattingly's understanding is that the Plan already has a security monitoring firm to monitor if a case needs to be filed. The result of a case is often a settlement. Salem Trust then files for the settlement. The fee used to be 20%, now it has been lowered to 12%.

Options are to get someone else to process the settlements or to agree to Salem Trust fees. The fee goes directly to Salem Trust. Ken Harrison is checking the agreement. The Board

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

can sign today and then update the fee exhibit. Class action settlements last year were \$5,000.

Bonni Jensen recommends to sign form today and have them look for alternatives. If end of going elsewhere, Plan is covered in the meantime. There are monitoring firms who do not charge but are looking for you to potentially bring them a case.

Question was asked what the charge we for Salem Trust to pull the historical data. Ms. Russo commented that typically new firm pays Salem Trust.

Sean Smith made a motion that Plan continue with Salem Trust processing class action settlements and choose Option A but still try to find cheaper third party option, Frank Stanzone seconded, approved by Trustees 4-0.

Dwight Mattingly will sign form today and Ken Harrison will work with Salem Trust on fee exhibit.

Ms. Russo shared Salem Trust's Cyber Security Policy and Business Continuity plan. She showed that STC has \$5 million of Cyber Insurance.

Bonni Jensen requested that STC add Cyber Security Plan to Benefit Policy.

Ms. Russo presented electronic communication language that is being place in new Custody agreements. STC does what they can and asks service providers to do the same. Communications with SBA is encrypted. Ken Harrison says that he can add language to the agreement.

Ms. Russo presented STC's quarterly report. This is a report in total and not at client level.

There was a question about administration of checks and timing to get payment. STC response is that it takes 5 business days to process an off-cycle check.

ADMINISTRATOR REPORT: MARY SHAH

Mr. Stephen Loor was given the floor to speak.

Mr. Loor recently retired due to a heart condition that he cannot overcome. The Judge granted Mr. Loor disability in April but he didn't receive paperwork until May 11, 2018. He is requesting to make his disability retirement date effective June 1, 2018. He submitted retirement paperwork on May 15, 2018.

Attorneys are reviewing the Plan document language in Section 4.13 which says that disability retirement will be coincident or following the Board's determination.

Dwight Mattingly told Mr. Loor that the Board will consider his request. He is welcome to go. Bonni Jensen addressed Mr. Loor that the Board must make a decision from a fairness perspective and treat people consistently.

Mr. Loor left the meeting.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

Mary Shah presented the overpayment for Ilana Schnall. She was overpaid her benefit for 7 months and the full benefit was overpaid. She will be offered the option to repay the full amount or have her benefit actuarially reduced for the remainder of her lifetime. The Board wants to consider other options for recoupment. Look to offer to recoup 10% of her monthly benefit over approximately 60 months. If don't recoup the overpayment by death, then repay plan from death benefit. There is a precedence to recoup overpayments from the death benefit.

Frank Stanzone made a motion for administration of overpayments to stay with the recommended guidelines, Sean Smith seconded, approved by Trustees 4-0.

Dwight Mattingly asked about the process for retirees. SBA explained there is a letter sent to them with application about the expected timing and the payment process. Palm Tran also provides retirees with links to application and contact information for Service Center at SBA. Frank Stanzone asked who should an employee contact about retirement information. SBA replied that they could call the Service Center or contact Palm Tran HR.

Mary Shah presented two disability retirements: Theresa Johnson and Stephen Loor. The facts for Ms. Johnson were presented. She has been approved for Social Security disability and her last day of work is scheduled for June 30, 2018. Ken Harrison says that the Board can approve the disability retirement pending her termination.

Frank Stanzone made a motion to approve the disability retirement for Theresa Johnson effective July 1, 2018 confirming her termination as of that date, seconded by Sean Smit, approved by Trustees 4-0.

The facts for Stephen Loor were presented. It was agreed that the plan provisions indicated Mr. Loor's disability should be effective July 1, 2018 and not retroactive to June 1, 2018. However, it was agreed that Mr. Loor would be able to be paid his refund of contributions immediately.

Frank Stanzone made a motion to approve the disability retirement for Stephen Loor effective July 1, 2018, seconded by Sean Smith, approved by Trustees 4-0.

Ms. Shah presented the Hedge Fund request and SBA's draft response. SBA asked the question if it was required to summarize the information for a public request in the format requested. Ken Harrison replied that recommended course of action would be to reply with the format of available information and to give a quote to summarize in the requested format. SBA can see if the hedge fund requestor will pay for the time spent on summarizing the return information. However, the summarized information is now public record and should be provided.

Ms. Shah presented the State's inquiry about the plan's assumed rate of return. Frank Wan will provide SBA a letter along with their prepared attachment to submit to the State.

Ms. Shah presented a list of upcoming fall Conferences.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018**

Dwight Mattingly mentioned the FPPTA Board election. There are 3 vacancies and 7 people (2 incumbents) running. As a Board, they get 1 vote and must vote for 3 people. The two incumbents are Steve Aspinall and Dwight Mattingly.

Frank Stanzione will be attending the FPPTA Annual Conference.

Lisa Pontius made a motion for Frank Stanzione to pick up a ballot for the Board at the Annual Conference, Sean Smith seconded, approved by Trustees 4-0.

Dwight Mattingly recommended to vote for the incumbents and Warren West who has been very active on education committee. He is a firefighter and would replace a firefighter open spot.

Sean Smith made a motion for Frank Stanzione to vote for who he sees fit, seconded by Lisa Pontius, approved by Trustees 4-0.

Mary Shah presented a renewal for a crime policy. Ken Harrison will review the policy and see if the coverage is needed.

PLAN FINANCIALS

The Board did not have any questions on the Interim Financials or Benefit Approvals.

Dwight Mattingly questioned some of SBA's fees related to the Salem Trust transition and wondered if the cost of these issues should be Resource Center's responsibility. Ken Harrison will review the expenses and see if he recommends any legal action to recoup expenses from Resource Center.

Sean Smith made a motion to receive and file the Interim Financials, Lisa Pontius seconded, approved by the Trustees 4-0.

Frank Stanzione made a motion to ratify the Warrants dated June 7, 2018, seconded by Sean Smith, and approved by the Trustees 4-0.

Sean Smith made a motion to approve the refund of contributions and final retirement benefits, Lisa Pontius seconded the motion, approved by the Trustees 4-0.

BOARD COMMENTS

Dwight Mattingly mentioned idea of retiree outreach when SBA gets notified of a death. Is there a way to get a list of deaths to Palm Tran?

Members of the Board had no further comments.

PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 7, 2018

ADJOURNMENT

There being no further business and the next Quarterly Meeting having previously been scheduled for Thursday, September 6th, Frank Stanzione made a motion to adjourn the Meeting at 2:03 PM, seconded by Sean Smith, and approved by the Trustees 4-0.

Secretary