

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 6, 2018**

Chair Dwight Mattingly called the meeting to order at 8:37 AM in the Palm Tran Connection Conference Rm: 1S-102 at 50 S Military Trail, West Palm Beach FL 33415. 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  
Burgess Chambers, Burgess Chambers & Associates  
Chad Little, Freiman Little Actuaries  
Mary Shah, Strategic Benefits Advisors  
Pharah Dutaille, Palm Tran Inc.  
Curtis Jones, Palm Tran Inc.  
Dawn Cram, Palm Tran Inc.  
Ilana Schnall, Retired Plan Member  
Carol Heffner, Retired Plan Member

APPROVAL OF THE AGENDA

Dwight Mattingly presented the public comment card completed by Ilana Schnall and suggested that the Board let Ilana Schnall speak at the beginning of the meeting. Frank Stanzione made a motion to change the Agenda as suggested, seconded by Sean Smith, and approved by the Trustees 4-0.

PUBLIC COMMENT

Ilana Schnall explained that the monthly benefit she is receiving is different than the original estimate provided by the prior administrator when she turned in her retirement paperwork. She was told she would receive a monthly benefit of \$348.48. The estimated payment she actually received was only \$322.24. This benefit was also equal to her final benefit. Ms. Schnall also noted that she had to complete her retirement paperwork twice. The prior administrator could not find her original paperwork.

Mr. Mattingly explained the original benefit estimate provided by the prior administrator did not follow procedures which should have been based on her most recent statement. There had been prior issues with the benefits the prior administrator estimated.

Mr. Mattingly clarified that Ms. Schnall is not appealing the overpayment of her benefit. Mr. Mattingly asked if there were grounds for appeal. Mr. Harrison said that it appears that Ms. Schnall was made whole on the retirement date she wanted. There was a discussion of the overpayment where the prior administrator paid Ms. Schnall's benefit before her Normal Retirement Date. She received a letter regarding the overpayment on August 15 and has 30 days to respond on how she wanted to repay the overpayment. Ms. Schnall provided her completed form at the meeting.

APPROVAL OF THE MINUTES

Lisa Pontius noted 3 typos in minutes. Page 1 – full name “Frank Wan” is needed, page 9 – “Smit” needs to be corrected to “Smith” and page 10 – “ballet” needs to be corrected to “ballot.”

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Frank Stanzione made a motion to approve the Minutes for the Quarterly Meeting of June 7, 2018 with the noted changes. Lisa Pontius seconded the motion, approved by the Trustees 4-0.

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

Burgess Chambers opened with remarks on poor performance of international market. Peer group is at 20%, however, this Fund is well below that allocation. The bond market has been a drag. Action is with growth stocks. Three companies of the S&P 500 are driving performance: Amazon, Netflix, and Google. The Fund has a diversified portfolio and is not taking on risk of all players. The 35/15/50 benchmark is comprised of 35% of the Russell 3000, 15% International, and 50% Bonds.

Mr. Chambers discussed the bond market. Historically bonds have earned 5% but are now returning 0%. Bonds are an insurance policy against a down market.

For the quarter, the Fund earned \$2.2 million or +2.1% (+2.0% net), ahead of the 35/15/50 benchmark (+0.9%) and strategic benchmark (+1.9%). These results ranked in the top 16th percentile. The best four performing assets were: Westwood MLPs (+13.1%), JPMorgan Alerian MLP Index (+13.0%), SPDR REITs (+10.1%) and iShares Russell 1000 Growth (+5.7%).

For the one-year period, the Fund earned \$7.9 million, or +8.3% (+7.8% net), ahead of the 35/15/50 benchmark (+6.1%) and the strategic benchmark (+7.3%). The best three performing assets were: iShares Russell 1000 growth (+22.5%), Scout Mid Cap Core (+16.8%) and Vulcan Large Cap Value (+12.7%). Results have beaten the 8.0% actuarial assumption rate for the past two consecutive years (+9.9% net per year).

For the five-year period, the Fund earned \$31.1 million or +7.8% (+7.1% net) per year, ahead of the 35/15/50 benchmark (+6.8%) and in line with the strategic benchmark (+7.8%).

Mr. Mattingly had a question about the differences between the allocation and the 35/15/50 and strategic benchmarks. Mr. Chambers responded that the strategic benchmark includes all of the pieces of the allocation. The other benchmark is a simplified benchmark. There is not a specified benchmark that has to be followed. The published investment policy is for the simplified 35/15/50 benchmark. The purpose of the benchmark for the Board is to track how the Fund is doing vs. the intended investment allocation. Ultimately the valuation is targeting an ARR of 8%. The only way to get closer to an ARR of 8% would be to dial up equity.

Mr. Chambers reviewed the individual manager performance report. Vulcan, Scout, and MLPs were ahead of benchmark. Advent and SSI were behind benchmark. Barings was the benchmark. GHA was ahead of benchmark but a low return.

Mr. Harrison questioned if rebalancing was warranted. Mr. Chambers noted that rebalancing was not needed at this time. Mr. Chambers asked about cash position. Mary Shah responded that she would look at cash flow allocation for the upcoming quarter and let BCA know if any cash needs to be raised.

Mr. Chambers recommended leaving MLP position for now and discussing at the next meeting.

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Being in the top 50<sup>th</sup> percentile ranking of peer group is part of the IPS. Mr. Mattingly commented that they have not achieved this over 3 year and 5 year periods. Mr. Chambers commented that their slightly underweight to equities is the only reason why they are not in the top 50<sup>th</sup> percentile.

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

Mr. Chambers reported on the next steps required to move from the Cohen & Steers Global Infrastructure mutual fund to the Cohen & Steers CIT fund. The side letter has been completed and approved by Cohen & Steers. The Board needs to sign the final application and the side letter. Note that the side letter is needed because their documents do not follow Florida Statute 112. After approval, Salem Trust will be directed to move funds.

Barings would like to amend certain provisions of the Barings Core Property Fund LP (the "Fund") limited partnership agreement. Mr. Chambers has reviewed the amendment with Ken Harrison. These changes are intended to create leverage. Barings states that the majority are intended to place the Fund on an even footing.

Mr. Chambers and Mr. Harrison recommend that the Board choose "Option One: \_\_\_\_\_ The undersigned hereby consents to the Revised Partnership Agreement."

Sean Smith made a motion to accept the Investment Consultant's and the Attorney's recommendation to execute and choose Option 1 of the Barings amendment, Frank Stanzione seconded, approved by Trustees 4-0.

Mr. Chambers did address the earlier rebalance question. The Board directed BCA about 5 years ago to rebalance between meetings if BCA thinks warranted. Bonni Jensen checked the IPS and confirmed that the policy gives the Investment Consultant permission to rebalance and bring the approval to the next meeting. There was no objection to continuing this policy.

ACTUARY REPORT: CHAD LITTLE

Mr. Little referenced the State's request for additional information supporting the Assumed Rate of Return (ARR) of 8%. BCA provided additional support for the assumption and a response was sent to the State on August 24.

Mr. Little explained that the next valuation will be as of 1/1/2019 which will dictate funding for 2020. It has been agreed to run this valuation with an ARR of 8% and show estimated results at 7.9%. Mr. Little recommended changing this approach and running the 1/1/2019 valuation with an ARR of 7.9% rather than just studying it.

Mr. Little noted that the JP Morgan 10-year economic outlook for large cap stocks is 5.0%. Blackrock provides a 20-year outlook with US large cap at 6.0% geometric average and 7.4% arithmetic average.

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Mr. Chambers commented that if those forecasts are correct then the State won't earn their expected 7.5% annual return. The State actuary recommended that the State lower their ARR to 6.7%.

Mr. Mattingly commented that if the contribution increases because of a decreased ARR, then this may put pressure on union negotiations for decreased benefits.

Mr. Little recommended that the ARR be closer to 7.0% but it depends on what the Board thinks the outlook is. Often the Board ends up with a compromised position with the Investment Consultant's input. Mr. Little will include in a statement in the valuation if he does not concur with the assumption.

The last response to the State's inquiry regarding the ARR indicated that the Board was evaluating a decreased assumption of 7.9%. Mr. Little gave sensitivity of the impact on the contribution requirement for a decrease in the ARR: 200 basis point decrease in ARR would increase contribution requirement by \$3.4 million and 10 basis point decrease in ARR would increase contribution requirement by \$200,000.

Frank Stanzione made a motion to run the 1/1/2019 valuation at 7.9%, seconded by Lisa Pontius, and approved by the Trustees 4-0.

Plan Administrator is to send a note to the State that the Board agreed to 7.9% for next valuation. Note that all Board members should be copied on official plan communication.

ATTORNEY REPORT: BONNI JENSEN AND KEN HARRISON

Bonni Jensen presented a memo regarding class action processing alternatives. Ms. Jensen noted that Salem Trust is just passing through their processing fees and the Board approved the Salem Trust fees at the last Board meeting. The request was to look at alternatives. Ms. Jensen does not recommend a change. There were no objections. Mr. Harrison will work with Salem Trust on updating the fee schedule in the agreement.

Ms. Jensen presented Amendment #4 which makes the plan internally consistent. It removes disability and military leave from 501 hours crediting section of the plan. This is covered elsewhere in the document. There were no objections from Donna Raney. This provision had been copied from law. Subsequently, provisions were added for service crediting for military leaver and disability.

Mr. Mattingly questioned what nonworking time means in Section 5.4. Do we mean not paid? If a person uses sick leave, this doesn't show up as leave. Ms. Jensen agrees with Mr. Mattingly that this could be an issue. Ms. Jensen will revisit Hours of Service section to reflect how this is handled in practice. Amendment #4 was deferred until the next meeting.

Ms. Jensen presented a Memo on Hours of Service.

Dawn Cram was present at meeting to discuss how hours are limited in practice. Ms. Cram explained that payroll gets a report once an employee hits 250 hours of overtime (OT) within a

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calendar year. Any OT hours above 300 get manually adjusted to make sure they are not reflected in pensionable pay.

Ms. Cram also explained that payroll has a copy of the 4/20/2014 vacation bank hours report and looks at vacation bank payouts at termination. The amount of vacation bank payout at termination is limited to the amount as of 4/20/2014.

Ms. Jensen noted that pay and hours are related. There is a State requirement that no more than 300 of OT hours can be included in pay. This is to limit the ability for retirees to spike final average earnings for retirement. Ms. Jensen believes the OT hours to comply with the State requirement should be tracked by anniversary year. Ms. Jensen will send a letter to the County indicating the Plan's position on this matter.

ADMINISTRATOR REPORT: MARY SHAH

Mary Shah presented some recent deaths of participants. Because there is a lag of when deaths are reported, benefits may continue to be paid to a participant after the participant's death. SBA and Salem Trust will make efforts to collect the overpayments from the beneficiary or pull back direct deposits. It was agreed that SBA will present situations where beneficiaries have an issue with the benefit policy.

Frank Edmond's overpayment was discussed and how the overpayment would be recouped from the beneficiary's monthly payments from the 50% J&S annuity election.

Sean Smith made a motion to ratify the Administrator's action from Frank Edmond, seconded by Frank Stanzione, approved by Trustees 4-0.

Linda Jones' death benefit was discussed and how there has been no response from the beneficiary from the 2 letters and 2 voicemails sent. SBA is ceasing communication at this point and waiting to hear from the beneficiary. The Board requested that SBA get confirmation of delivery before ceasing.

Ms. Shah presented Richard Bagdon's death benefit. The daughter reported his death but the paperwork shows a non-relative as a beneficiary. SBA has given the daughter time to respond. It was agreed at the meeting to give her 30 days to respond and note that she has the right to appear before the Board if she does not agree with the decision. It will take some time to locate the named beneficiary.

Ms. Shah presented the quotes to print the Summary Plan Descriptions (SPDs). Print America has the cheapest quote by a large margin and there are not any differences in their assumptions.

Frank Stanzione made a motion to use Print America to print the SPDs, seconded by Sean Smith, approved by Trustees 4-0.

Ms. Shah presented the insurance quotes for Fiduciary, General Liability and Commercial Crimes policies. The Commercial Crimes policy was quoted both with and without designated agent coverage. Designated agent coverage is an additional coverage to consider which would cover the Board for fraudulent activities for third party service providers. Ms. Shah noted that she had

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received an updated quote for the General Liability coverage for \$1,350. The explanation for the increase in rates is insurance pricing increases since the original pricing in April 2018. Ms. Shah will ask Jill Solomon to see if she can get an adjustment to the original quote.

For next set of renewals, Ms. Shah is to ask Sandie Kyser for an insurance quote for Cyber Security insurance.

Frank Stanzione made a motion to approve the Commercial Crimes policy renewal and to add designated agent coverage, seconded by Sean Smith, approved by Trustees 4-0.

Lisa Pontius made a motion to approve the Fiduciary policy renewal, seconded by Frank Stanzione, approved by Trustees 4-0.

Frank Stanzione made a motion to approve the General Liability policy renewal at \$1,350, seconded by Sean Smith, approved by Trustees 4-0.

Ms. Shah presented the employee contributions that have not been paid from employees who were paid from the union for the period of time the union did not increase the contribution rate from 2.75% to 3.00% of pay. Mr. Mattingly noted that Cheryl Sweeting should be deleted from the exhibit.

Ms. Shah noted that the union may have paid the plan too much in employee contributions and double counted pay for April 2018. Both the first and second quarter checks for 2018 include pay for April. SBA will need to receive the details for the April pay and can determine the amount due back to the union from the plan. These amounts can be deducted from the amounts the union owes as described above.

Sean Smith made a motion to collect the outstanding employee contribution balance from the union (no interest), seconded by Frank Stanzione, approved by Trustees 4-0.

Ms. Shah presented the request for participant data and said that SBA will be providing the requested data.

Ms. Shah presented the proposed meeting dates for 2019. It was agreed that the Trustees would check their calendars and verify availability for the next meeting. Scheduling investment manager discussions should also be addressed at the next meeting. Mr. Mattingly brought up the idea of a day event where they could host all of the investment managers at one time. There is concern that the current meetings are already running long.

PLAN FINANCIALS

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

Dwight Mattingly did ask why he did not see Sandra Moore on the Benefit Approvals. She is the surviving spouse of a retiree. Mary Shah confirmed that there was a Benefit Approval for Ms. Moore for the June 7, 2018 meeting.

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Frank Stanzione 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 September 6, 2018, seconded by Sean Smith, and approved by the Trustees 4-0.

Frank Stanzione left the meeting.

Sean Smith made a motion to approve the refund of contributions and final retirement benefits, Lisa Pontius seconded the motion, approved by the Trustees 3-0.

BOARD COMMENTS

Members of the Board had no comments.

ADJOURNMENT

There being no further business and the next Quarterly Meeting having previously been scheduled for Thursday, December 6th, Sean Smith made a motion to adjourn the Meeting at 2:10 PM, seconded by Sean Smith, and approved by the Trustees 4-0.