

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD DECEMBER 5, 2019**

Chair Dwight Mattingly called the meeting to order at 8:37 AM at 50 S. Military Trail, West Palm Beach, FL, 33415. Those persons present included:

TRUSTEES

Dwight Mattingly, Chair
Marcos Rodriguez
Lisa Pontius

OTHERS PRESENT

Ken Harrison, Sugarman & Susskind
Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Frank Wan, Burgess Chambers & Associates
Chad Little, Freiman Little Actuaries
Mary Shah, Strategic Benefits Advisors
Maggie St. Fleur, Palm Tran HR
Betty Garrett, Palm Tran
Donna Raney, County Attorney
James Kowal and Florian Eitner, SSI Investments
Amanda Rekeimeier, Bernstein Litowitz Berger & Grossmann
Kathryn Weidner, Saxena White

APPROVAL OF THE AGENDA

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

PUBLIC COMMENT

There was no public comment.

APPROVAL OF THE MINUTES

Lisa Pontius made a motion to approve the Minutes for the Quarterly Meeting of September 5, 2019. Marcos Rodrigues seconded the motion, approved by the Trustees 3-0.

INVESTMENT MANAGER: JAMES KOWAL AND FLORIAN EITNER (SSI INVESTMENT MANAGEMENT)

James Kowal and Florian Eitner presented a review of SSI Investment Management Fund focused on convertible securities. Resolute now owns SSI Investments and this should allow for better distribution. SSI recently lowered fees. The fund has \$3 million invested with SSI. SSI is invested in growth oriented companies with 42% assets in technology and healthcare.

This investment is to capture equity upside with some downside protection. There is a buffered market participation with the investment still having an element of principal preservation. In a recession likely market would only see 50% of the downside movement. Trade-off is seeing 70% of upside in a good market. Convertibles have a 2 year duration and are not that interest rate sensitive. One of the best performing investments in a rising interest rate environment.

New issuance has been robust which gives good opportunity for convertibles. Convertibles take bonds in the money (acts more like equity) and shifts to new issues at par. Convertibles are like butterfly, either act like bond or equity. Sweet spot is in the middle and want an overweight in this

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area. Recent changes to the Investment Policy to allow SEC 144A investments has provided better pricing opportunities. The Defaults in convertibles are only 1.4%.

Mr. Mattingly asked that SSI put in writing that they will follow NCPERS ethical code of conduct. Mr. Wan reported that he has given SSI the NCPERS code of conduct to sign.

SECURITIES MONITORING FIRMS

Amanda Rekemeier of Bernstein Litowitz Berger & Grossmann (BLBG) and Kathryn Weidner of Saxena White presented together. Both of their firms look at all securities holdings and transactions. They monitor market in general and compare to transactions.

There is monthly/quarterly reporting of litigation in progress. The custodian is notified to collect the fees on behalf of the fund. A fee is only involved if the fund is a lead plaintiff and there is a settlement. The fund will not likely be a lead plaintiff because of its size. The fund is likely already being protected by larger funds holding one of the fund's investments.

Both firms monitor losses for the fund to see if any are due to fraud. There is quarterly reporting plus the firms also issue ad hoc alerts. Both firms help with settlement process and give the Custodian and Administrator the claims processing forms.

Mr. Harrison asked if the firms handle the filing of the claims. The response was that most custodians handle the claims filings. Salem Trust (through CCC) handles the filings and charge 12% of any settlement. It can be difficult if there have been changes in custodian relationship and custodian doesn't have full history of investments.

There has been a change to let institutional investors be lead plaintiff. Often when this is the case, it results in larger settlements and lower fees because the institutional investors have more sophisticated investments than the individual investor.

The Board thanked Ms. Rekemeier and Ms. Armstrong for their presentations. There were no objections to engaging either firm.

Mr. Mattingly brought up a Robbins Geller Rudman & Dowd case. RGRD wanted the Palm Tran ATU 1577 fund to have a seat/representation in a lawsuit. It wasn't a new filing but a change in venue to allow the Palm Tran ATU 1577 fund to participate. There was no objection from the other trustees.

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

Frank Wan opened with a discussion about the growth in the fund over the past 5 years (p. 19). The green line shows the net cash flow which has remained fairly stable. There has been \$35 million in investment return. The fund's investment performance (p. 18) over a 5 year period has been slightly below average. Last year the fund's performance was ranked in the top 42%. The fund tends to rank better when the market is rocky.

Mr. Wan noted that the fund has \$11 million in convertibles investment. Convertibles earned 2.6% this past year. SSI has struggled against the index, however, changes to the IPS has allowed 144A investments. The index includes 144A participation.

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Questions about the market cycle include what is happening in the global market (deal with China, Brexit delayed) and US stocks selling at 10%-15% premium. Mr. Wan explained types of convertibles to buy which are bonds at par not heavily in the money. With the recent IPS changes, he expects to see improvements.

The disappointing manager is Scout. The index fund is up 3.3% and Scout is down 3.2%. One year ago, Scout looked like heroes but they have underperformed in healthcare and industrials. Tariffs have caused issues for industrials. It is a bad time to sell them. He recommends letting the market noise settle before we can tell if there is an issue.

Mr. Wan is looking for active managers to outperform when economy is bad. He gave the example of American fund being up 1.6% when markets were down 1.1%. He thinks that the IPS changes are good overall. Exiting the pipelines and replacing with infrastructure was a good decision as pipelines are down 10% and infrastructure is up.

Regarding the bond market, GHA is a drag but Mr. Wan recommends giving them time for a full market cycle.

Mr. Wan presented the fund's third quarter performance. For the quarter, the Fund experienced a market-based gain of \$1.3 million or +1.2% (+1.1% net), similar to the 35/15/50 benchmark (+1.3%). The best three performing assets were: Fidelity Real Estate blend (+6.8%), Cohen & Steers Global Listed Infrastructure CIT (+4.1%) and Vulcan large cap value (+2.9%).

For the one-year period, the Fund was up \$4.6 million, or +4.6% (+4.2% net). The best three performing assets were: Cohen & Steers Global Listed Infrastructure CIT (+17.9%), Fidelity Real Estate blend (+16.3%) and Fidelity US Bond blend (+10.3%).

For the three and five-year periods, the Fund earned +8.1% (+7.6% net) and +6.0% (+5.5% net) per year, respectively.

The Schwab TIPS ETF was liquidated in September and the proceeds were invested in the Fidelity US Bond mutual fund.

Mr. Wan noted one housekeeping item. He is in process of tracking down investment manager acknowledgements to the IPS. SSI requested a countersignature which Mr. Harrison has reviewed.

Lisa Pontius made a motion to accept BCA's investment performance report, Marcos Rodriguez seconded, approved by Trustees 3-0.

ACTUARY REPORT: CHAD LITTLE

Mr. Little discussed recent lawsuits related to the definition of actuarial equivalence. He noted that the 10 CC option uses the latest actuarial equivalence. The factors for the J&S options are hard coded in the plan document and he doesn't know if the factors are negotiated items or if they are subsidized. He wanted to point this out to the Board but it is not obvious if there is a concern. He asked if the Board would like to see a comparison of the J&S factors to current actuarial equivalence factors.

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Donna Raney asked what the legal concern in the lawsuits was. Bonni Jensen responded that the concern was that the J&S option is the normal form of benefit for married participants and it was not the most valuable form of benefit. There was disparity in the value of the optional forms of payment.

The Board thanked Mr. Little for bringing this to their attention but doesn't think there is a compelling reason to change the Plan.

Mr. Mattingly asked that the minutes reflect the pricing request process for the Actuary. There would be a letter to the Actuary requesting pricing from one party and the other party would be copied. A request for a pricing doesn't need both parties to agree. The union has requested a pricing from Mr. Little. Mr. Little will send a letter back and copy SBA on the response.

ATTORNEY REPORT: BONNI JENSEN AND KEN HARRISON

Bonni Jensen presented her USERRA memo. IF someone is deployed then they should continue to be reported to us. SBA and FLA need to be aware if they are on military leave. Best practice is to treat as a vested terminated participant until they come back.

SBA will ask Palm Tran to put in place some type of notification when someone goes on active military duty. Stephen McAfee has been deployed at least two times. The employee should have the opportunity to pay contributions for time on military leave. Lisa Pontius knows of at least one county employee who is deployed regularly.

SBA will need status reporting from the Palm Tran personnel action form. The County payroll may not have the correct codes.

Mr. Harrison said that the burden is on the participant to show type of military service. There is a formal application process to be rehired. Effort is if they come back to Palm Tran.

Ms. Jensen discussed the fee increase in the new agreement for her firm. The hourly rate is increasing from \$275 to \$300. Mr. Harrison noted that his hourly rate would increase as well. Both attorney fees increased to same level for the last fee agreement.

The Board discussed background on why there are two Board attorneys. Mr. Mattingly explained that neither attorney is on retainer. Historically, Ms. Jensen has handed issues with interpretation of the plan document and Mr. Harrison has dealt with service provider agreements and disability hearings. Years ago there was an issue with a former trustee benefit. The union asked for another attorney to review the benefit (Sugarman & Susskind). Ms. Jensen dates back to the 1980's with the fund.

Ms. Pontius said that a 9% increase seems reasonable if consider over a 3 year period. Mr. Rodriguez asked about market comparison. Ms. Jensen responded that new clients are charged an hourly rate of \$350. Ms. Raney responded that the fees seem reasonable.

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There was a question about how memos were billed by Ms. Jensen. She commented that bulk research for clients is billed 6 minutes to each client. The agreement states that services are “as requested by the Board” and this would include educational updates.

Ms. Jensen noted that the agreement has been updated to include public records and cyber liability insurance language.

Lisa Pontius made a motion to approve renewing Ms. Jensen’s agreement, Marcos Rodriguez seconded, approved by Trustees 3-0.

Mr. Harrison will bring the Sugarman & Susskind agreement for renewal to the next meeting.

The RGRD court case was discussed. There have been numerous cases filed and the court cases are in process of being consolidated. Thus this court case has been dismissed. RGRD had a phone call with the Chairman. At Sugarman & Susskind’s recommendation, Mr. Mattingly agreed to allow the firm that was carrying the case in Santa Clara County to include the Palm Tran ATU 1577 fund to be included as a named plaintiff. Through Scout, the fund was invested in DXC Technology. There is \$56,000 exposure. The urgency was due to time running out to making the filing.

Lisa Pontius made a motion to ratify the actions taken by Mr. Mattingly at Sugarman & Susskind’s recommendation, seconded by Marcos Rodriguez, approved by Trustees 3-0.

The Monitoring Agreements were discussed. It was noted that public records language needed to be added to both agreements.

Lisa Pontius made a motion to approve entering into agreements with BLBG and Saxena White and Mr. Harrison will update the agreements with the requested language, Marcos Rodriguez seconded, approved by Trustees 3-0.

A plan document question was discussed regarding rehired retirees. People are returning to work after retiring. A question was asked if the manager is having a discussion on the implications of the retiree’s pension upon rehire. Mr. Mattingly asked about a rehire after a 5 year leave.

Ms. Jensen stated that the original retirement must have been a “bona fide retirement.” It is not a matter of how long they have been retired. Ms. Jensen said a member can continue to collect their pension upon rehire (if bona fide retirement) but accruals are based as if they are new hire (Tier 4) and they must vest in their benefit again. If the original retirement was not a bona fide retirement, then the member discontinues receiving benefits, additional service is earned, and they are vested under their original tier.

Mr. Mattingly commented that people are coming back because they cannot afford to retire.

Ms. Jensen noted that document speaks to this clearly. It was suggested that a flow chart be created for Palm Tran HR so they know what happens to retiree upon rehire. Board can make a rule for how long or situation for participant to be considered “bona fide” retirement as long as a person left without preconceived notion of returning,

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Ms. Jensen indicated that this may not be good enough proof. Ms. Jensen and Ms. Raney suggested the retiree sign an affidavit at retirement saying there is no intention of returning to Palm Tran to work. Ms. Jensen will draft an affidavit.

Mr. Harrison suggested that the Board require the retiree to be gone for a minimum amount of time. There is historical relevance for 6 months. It is required to be gone for at least 6 months to be considered a bona fide termination and not eligible for retirement from active status. FRS requires one year (had been earlier previously).

Mr. Mattingly is hesitant about putting a time limit with reemployment because there are different circumstances.

The discussion changed to be about the active pension beneficiary election form that is included with life insurance elections. There is a request for SBA to suggest to Palm Tran that Palm Tran have a separate beneficiary election for the Refund of Contribution and the death benefit from the pension plan.

ADMINISTRATOR REPORT: MARY SHAH

Donna Raney requested that she be sent a copy of the latest plan document with amendments.

Marcos Rodriguez requested that SBA look into language interpretation service providers. SBA has Spanish speaking capabilities. Mr. Rodriguez mentioned that there are participants who are needing Creole interpretation.

Mary Shah presented the administrator's report. There were no specific issues to discuss.

Ms. Shah was asked to provide the Board with the number of retirees in pay status. She estimated about 400 retirees in pay status. Mr. Mattingly asked if the outflow is greater than contributions being made to the plan. The answer is yes. Mr. Little gave the 2018 numbers and noted this is common for mature plans.

Ms. Shah presented the FPPTA, NCPERS, IFEBP renewals for 2020.

Lisa Pontius made a motion to approve the FPPTA renewal, Marcos Rodriguez seconded, Trustees approved 3-0.

Lisa Pontius made a motion to approve the NCPERS renewal, Marcos Rodriguez seconded, Trustees approved 3-0.

Lisa Pontius made a motion to approve the IFEBP renewal, Marcos Rodriguez seconded, Trustees approved 3-0.

Ms. Shah presented the Cherry Bekaert agreement for 2020. The fees have increased from \$16,900 to \$17,225.

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Lisa Pontius made a motion to approve the Cherry Bekaert agreement for 2020, Marcos Rodriguez seconded, Trustees approved 3-0.

Ms. Shah will report on the audit progress at the March meeting.

Ms. Shah presented the proposed 2020 Meeting Dates. There have been no conflicts reported by any of the service providers. Mr. Wan noted that presentations by all Investment Managers have been completed. He will start the cycle over with Barings at the March 5th meeting.

Mr. Mattingly would like to start the process of evaluating all service providers. Mr. Harrison will provide a sample form to be completed for the evaluation. Mr. Mattingly will work with Ms. Shah to complete the evaluation. Service providers to be evaluated are the Administrator, Actuary, Attorneys, Custodian, and Investment Consultant. The Investment Managers and the Auditor are reviewed annually.

Lisa Pontius made a motion to approve the 2020 meeting dates, Marcos Rodriguez seconded, Trustees approved 3-0.

PLAN FINANCIALS

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

Lisa Pontius made a motion to receive and file the Interim Financials, Marcos Rodriguez seconded, approved by the Trustees 3-0.

Lisa Pontius made a motion to ratify the Warrants dated December 5, 2019, seconded by Marcos Rodriguez, and approved by the Trustees 3-0.

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

BOARD COMMENTS

Mr. Mattingly asked that Ms. Shah share feedback with the FPPTA that two of our trustees had an unfavorable experience with the hotel.

ADJOURNMENT

There being no further business and the next Quarterly Meeting has been scheduled for Thursday, March 5th, Lisa Pontius made a motion to adjourn the Meeting at 1:34 PM, seconded by Marcos Rodriguez, and approved by the Trustees 3-0.

Secretary