

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 3, 2020**

Chair Dwight Mattingly called the meeting to order at 8:33 AM at 50 S. Military Trail, West Palm Beach, FL, 33415. The meeting was also held virtually at the following information: <https://global.gotomeeting.com/join/265906461>, Phone: +1(408) 650-3123 Access Code: 265-906-461. Those persons present included:

TRUSTEES

Dwight Mattingly, Chair  
Marcos Rodriguez  
Lisa Master

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  
Stephanie Atli, Strategic Benefits Advisors  
Maggie St. Fleur, Palm Tran HR  
Masimba Mutamba, Palm Beach County Attorney  
Henry Pierandri, Cohen & Steers  
Bob Becker, Cohen & Steers  
Karen Russo, Salem Trust

APPROVAL OF THE AGENDA

Lisa Master 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. Employee Bruce Guyton was present but since his issue was being presented by Bonni Jensen during the Attorney’s Report, he was asked to wait to speak until after the issue was presented to the Board.

APPROVAL OF THE MINUTES

Ms. Master provided a correction to the Minutes for the Quarterly Meeting of June 4, 2020. Under “Approval of the Minutes” it stated that she motioned to approve the Minutes for the “Quarterly” Meeting of March 31, 2020, but it should have said “Special” meeting. Ms. Jensen provided another correction—under the Actuary Report, in the last paragraph, it said that the Board needed to provide the Plan’s Expected Rate of Return to the “County” each year but it should have said “State.” With these corrections Ms. Master made a motion to approve the Minutes for the Quarterly Meeting of June 4, 2020. Mr. Rodriguez seconded the motion, approved by the Trustees 3-0.

Ms. Master made a motion to approve the Minutes for the Special Meeting of June 19, 2020. Mr. Rodriguez seconded the motion, approved by the Trustees 3-0.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 3, 2020**

INVESTMENT MANAGER: HENRY PIERANDRI AND BOB BECKER (COHEN & STEERS)

Mr. Wan introduced Henry Pierandri. Mr. Pierandri is a Senior Associate and a member of Cohen & Steers' (CNS) institutional sales team. Mr. Pierandri noted that the pension fund is invested in Cohen & Steers Global Infrastructure Fund. Cohen & Steers has over \$66 billion in Assets Under Management and \$7 billion in Global Listed Real Assets. Mr. Pierandri introduced Bob Becker. Mr. Becker is a Senior Vice President and Portfolio Manager for the Global Infrastructure Fund (GIF).

Mr. Becker explained that historically global infrastructure has provided defense against global equity, but that has not been the case recently with global infrastructure down -13.3% YTD compared to global equity down -5.8%. As far as returns by infrastructure sector, the biggest detractors have been in Transportation (Airports down -33.2% YTD and Marine Ports down -15%) and in Midstream Energy (down -24.5%). Communications is the only global infrastructure sector with positive returns (+14% YTD). The geographic distribution of performance shows Central & South America as hardest hit (-36.2%) followed by Europe (-20%). North America is only down -10% YTD.

The pension fund's portfolio is down -7.1% YTD ahead of the benchmark which is down -10.8%. This is due to the GIF's overweight to communications and underweight to airports and midstream energy.

As for the macro outlook, the coronavirus has pushed the global economy into a deep recession with strict containment measures resulting in peak-to-trough GDP contractions of 20-30% in most economies. CNS is predicting global real GDP growth of -3.0% in 2020 and US real GDP growth of -7.0% in 2020, the weakest since 1946. CNS expects a U-shaped recovery with the global economy not making up for all of the lost capacity until late 2022. Factors that will determine the actual recovery curve are the size of US fiscal support, the rolling pandemic risk, and the credit risk of emerging economies.

Mr. Becker highlighted the effect of the coronavirus on the GIF—telecom and utilities have been less affected and transportation has been more affected. The GIF is benefitting from the overweight to telecom. CNS plans to add to toll roads and marine ports because they are expecting a quicker recovery in those areas (compared to airports and midstream energy).

Mr. Becker gave an overview of the outlook across sectors. Utilities are generally defensive amid economic slowdown. There is a major global trend towards decarbonization (solar, wind, etc.). Telecom is only going to grow as the world is becoming more data intensive and connected to the internet. For example, data growth on wireless networks is going up 50% each year so there is a large need for telecom infrastructure. CNS plans to stay overweight in telecom and sees an opportunity with listed cell towers. CNS is also increasing exposure to utilities due to relative valuations becoming more attractive, the build out of renewable energy infrastructure, and low interest rates.

Mr. Mattingly asked Frank Wan (Investment Consultant) if CNS was on target and should continue to be part of the pension fund's investment portfolio. Mr. Wan confirmed that CNS was on target and should continue as part of the plan's portfolio.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 3, 2020**

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

Frank Wan opened with a discussion about the general state of the global economy. BCA predicts that for most countries the recession will last through the end of 2020. BCA points to the V-shaped recovery in China as an indication that the U.S. recovery could also be V-shaped but points out that the consensus is that the recovery may be uneven across sectors (for example, brick and mortars will suffer but online retailers will recover quickly).

For the quarter, the Fund experienced a market-based gain of \$14.5 million or +14.0% (+13.9% net), ahead of the strategic benchmark (+13.5%) and ranked in the top 22nd percentile. The three best performing assets were: Scout Mid Cap (+28.3%), Fidelity Large Cap Growth (+27.8%) and SPDR convertibles (+27.2%).

For the one-year period, the Fund was up \$6.2 million, or +6.0% (+5.6% net), ahead of the strategic benchmark (+4.9%). These results ranked in the top 11th percentile. The three best performing assets were: Fidelity Large Cap Growth (+23.3%), SPDR Convertibles (+18.6%) and SSI Convertibles (+16.3%).

For the three and five-year periods, the Fund earned +6.8% (+6.3% net) and +6.3% (+5.8% net) per year, respectively.

On April 3, 2020, the Fund was rebalanced as follows: \$1,980,000 of existing mutual fund cash was used to purchase \$1 million worth of additional shares of the Fidelity Large Cap Value Index and \$980K worth of additional shares of the Fidelity Mid Cap Index.

The Vulcan large-cap value product was ahead of the benchmark for the quarter (+24.4% vs. +14.3%) and well ahead for the one-year period (+9.3% vs. -8.8%), ranking in the top 5th percentile for both periods.

The Scout mid-cap core product beat its benchmark for the quarter (+28.3% vs. +24.6%), ranking in the top 2nd percentile.

The Cohen & Steers CIT product was behind the benchmark for the quarter (+9.4% vs. +10.5%) but ahead for the one-year period (-3.4% vs. -7.3%).

Advent and SSI convertible bonds were behind the benchmark for the quarter (+23.9% and +25.5% vs. +27.4%) and one-year period (+14.0% and +16.3% vs. +19.5%).

EuroPacific Growth outperformed the benchmark for the quarter (+22.9% vs. +16.3%) and one-year period (+3.7% vs. -4.4%), ranking in the top 23rd and 24th percentiles, respectively.

Baring's private real estate beat the benchmark for the quarter (-0.2% vs. -1.6%) and one-year period (+3.5% vs. +2.2%). The product averaged +7.1% per year for the last five years.

Garcia Hamilton's fixed income was ahead of the benchmark for the quarter (+3.3% vs. +2.9%) and one-year period (+9.1% vs. +8.7%).

BCA's plan is to stay overweighted in domestic equity and underweighted in international equity and to keep a low level of cash in order to stay invested as much as possible.

The Total Fund ranks in the top 22<sup>nd</sup> percentile for the quarter and the top 15<sup>th</sup> percentile for YTD.

There is currently no need for an index fund in Global Infrastructure because Cohen & Steers is doing well.

In convertibles, Tesla has been a big winner for the SPDR index so we are benefitting from that.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 3, 2020**

In international equity, American Funds Europacific Growth fund has been overweight to China which has helped them beat the benchmark, American Funds is at +23% compared to the Index at +17.4%.

In real estate, we are 2/3 weighted to private real estate and 1/3 weighted to REITs. Barings did better than JPMorgan and others in the index because Barings has no malls in their portfolio. The outlook for real estate is uncertain. While tech giants like Amazon and Facebook have told their employees they can work from home indefinitely, they have also expanded their office footprint significantly, which sends mixed signals about the future of private real estate. BCA is watching occupancy ratios and believes that right now is not a good time to pull money from real estate investments. If occupancy ratios dip below 90%, BCA will review their strategy.

The goal for fixed income is to keep cash low.

Mr. Mattingly instructed Mr. Wan to continue monitoring Barings to make sure their occupancy stays up.

Ms. Master made a motion to accept BCA's investment performance report, Mr. Rodriguez seconded, approved by the Trustees 3-0.

Mr. Mattingly asked Actuary Chad Little if our Assumed Rate of Return (ARR) is in line with what BCA is showing (+6.3% for the 5-year period). Mr. Little explained that he does take BCA's figures into consideration but also uses a more forward-looking economic forecast. Mr. Little stated that he would likely be recommending a reduced ARR. Mr. Wan pointed to page 4 of BCA's Program Analysis document to see the justification of the current 7.5% ARR. He said the 30-yr Monte Carlo simulation looks at the last 30 years of data for the assets that we have and predicts the likelihood of achieving a certain rate of return. We currently have a 50% chance of hitting the current 7.5% ARR so BCA may recommend lowering the ARR in order to increase the likelihood of achieving it.

ACTUARY REPORT: CHAD LITTLE

Mr. Little started a discussion about retirees making changes to their optional form of payment. In most plans you cannot change your optional form. The most important thing we want to avoid is members selecting against the Fund which applies mostly when changing from a joint and survivor option to a single life annuity or certain and life option. Mr. Little suggests coming up with a policy going forward so that ultimately we are protecting the Fund against adverse selection. Ms. Jensen recommended having a special meeting to discuss just this issue. Mr. Little agreed. Mr. Mattingly stated that fiduciarily we serve the participants of the Plan and don't want to remove any provisions just because they are uncommon. A special meeting will be set up for October.

ATTORNEY REPORT: BONNI JENSEN AND KEN HARRISON

Ms. Jensen reported that at least through October 1<sup>st</sup> the Board will be able to establish quorum virtually.

An updated SPD has been drafted with a few minor changes incorporated—a clarification to the Tier 4 section and updated trustee list. We are currently assuming Jeremy Baker will be appointed by the County. The County had previously appointed him but had also listed a back-up appointee and that is not permitted. Approval of the SPD will be done at the special meeting in October in order for the Trustees to have a chance to review the final version ahead of approving it.

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 3, 2020**

Ms. Jensen brought up deferred vested/currently employed participant Bruce Guyton. He earned a vested benefit in a prior period of service. He subsequently took a refund of his contributions. He was later rehired by Palm Tran and is currently employed full-time. He wishes to start his deferred vested pension benefit while actively employed with Palm Tran. Ms. Jensen pointed out that the Plan does not currently allow an employee to start a vested retirement while they are working. There are provisions in the Plan Document that provide for continuing a pension benefit under certain conditions but there are no provisions for starting a pension benefit while working.

Mr. Guyton was given a chance to speak and stated that since he had taken a vested refund he had effectively started his retirement and should be allowed to continue it. Mr. Little pointed out that taking a vested refund does not cause us to treat someone as being retired. For example, vested terminated participants are not entitled to the \$7,500 death benefit that is payable to retirees (those who have commenced their monthly benefit) even if they have taken a vested refund.

Ms. Master made a motion to accept the opinion of the attorney to deny the request of Bruce Guyton to commence his deferred benefit while re-employed with Palm Tran, seconded by Mr. Rodriguez, approved by the Trustees 3-0.

Mr. Harrison reported on the status of a class action that Palm Tran was asked to join as lead plaintiff. He said the defendants argued against Palm Tran being lead plaintiff but the judge said he would allow it.

ADMINISTRATOR REPORT: MARY SHAH

Mary Shah presented the Administrator's Report. The annual renewal for the fiduciary policy is \$18 higher than the previous year. Mr. Mattingly asked if we are in line with other funds in terms of what we are paying. Ms. Jensen said this is approximately what we should expect. Mr. Mattingly asked how long we have been with Markel. Ms. Shah said at least four years. Ms. Jensen recommended that Ms. Shah ask the broker if we are getting the best price. Our policy expires the end of September.

Ms. Master made a motion to renew providing that United Members had solicited other quotes as part of the renewal, seconded by Mr. Rodriguez, approved by the Trustees 3-0.

Ms. Shah presented two quotes for the printing and mailing of the SPD—Ray Anthony and Print America. The two quotes were very similar. Mr. Mattingly pointed out that we are tax exempt and requested that Ms. Shah obtain a tax exempt certificate. Print America printed the last SPD in 2018.

Mr. Rodriguez made a motion to have Print America print and mail the 2020 SPD, seconded by Ms. Master, approved by the Trustees 3-0.

Ms. Shah pointed out that SBA's contract as Plan Administrator ends 12/31/2020. SBA will submit a request for renewal at the December meeting. The new monthly fee will be \$9,800, a 3% increase

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 3, 2020**

per year over the last three years. Ms. Jensen has received two out of three vendor scorecards from the Trustees.

Ms. Shah will be renewing IFEBP membership and informed the Trustees that there is a perk to renewing before September 30<sup>th</sup>.

Mr. Rodriguez made a motion to renew IFEBP membership by September 30<sup>th</sup> but after new trustee appointment, seconded by Ms. Master, approved by the Trustees 3-0.

Ms. Shah presented the Cherry Bekaert (auditor) renewal for \$17,400.

Mr. Rodriguez made a motion to renegotiate the increase with Cherry Bekaert and report back to the Board in December, seconded by Ms. Master, approved by the Trustees 3-0.

Ms. Shah will register Mr. Rodriguez and Ms. Master for FPPTA and will send out an email for registering for virtual sessions.

Ms. Shah presented the proposed meeting dates for 2021 and asked everyone to check their calendars ahead of the dates being approved at the December meeting.

CUSTODIAN REPORT: KAREN RUSSO (SALEM TRUST)

Karen Russo gave an update on the 3/1/2020 conversion of TMI/Salem Trust's back office. There were some discrepancies between the February and March statements but they were all explainable. Payees will receive two 1099's this year and notices about that are going out on the direct deposit advices.

Ms. Russo presented the securities monitoring claims report and explained that all claims are reported as eligible transactions even if there is a \$0.00 recognized loss/estimated payout.

PLAN FINANCIALS

Mr. Rodriguez made a motion to receive and file the Interim Financials, Ms. Master seconded, approved by the Trustees 3-0.

Ms. Master made a motion to ratify the Warrants dated September 3, 2020, seconded by Mr. Rodriguez, and approved by the Trustees 3-0.

Ms. Master made a motion to approve the refund of contributions and final retirement benefits, Mr. Rodriguez seconded the motion, approved by the Trustees 3-0.

BOARD COMMENTS

Mr. Mattingly opened a discussion about introducing a DROP program. The goal for the DROP program would be for it to be as close to cost-neutral as possible. Mr. Harrison explained that DROP programs were originally developed in Louisiana for firefighters because they were hired in groups and left in groups. A DROP program allowed someone to "retire" from the pension plan meaning

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD SEPTEMBER 3, 2020**

their benefit stopped accruing but they could continue working. Their monthly payments were deposited into the plan and could gain or lose along with the pension plan. The IRS has had a problem with DROP plans that allowed people to lose principle. There would most likely be a minimum benefit that would also earn an interest rate no lower than x%. DROP plans are popular because there is a cost savings and it helps predict attrition and training requirements. Mr. Little had quoted the Board \$2,500 at the March meeting regarding doing a study on the actuarial impact of a DROP. He explained that DROP participants would be insulated from loss of principal but their returns could also be capped at the ARR. Since we currently assume that people will retire as soon as they can, and some people may "DROP" earlier, the projected cost to the Plan could be higher. There was a discussion about fees. Mr. Little said some plans reduce the DROP benefit by 0.25% for administrative fees but that affects senior employees more than junior employees. The Union plans to approach the Employer to open negotiations around a DROP program. The Union and Employer would likely request a study from the Actuary (this study would not be available to the Board). If an agreement was reached, an actuarial impact statement would then be completed.

Mr. Rodriguez made a motion to approve the parties (Union and Employer) having access to the Plan's service provider(s) (Actuary), seconded by Ms. Master, approved by the Trustees 3-0.

Stephanie Atli brought up the issue of retro pay due to the collective bargaining agreement. SBA has requested a file of retro pay by individual from the clerk's office but has not received that yet. SBA could likely work with the Actuary to approximate how the retro pay was calculated for each individual. Betty Garrett (Manager, Human Resources) stated that SBA should wait to do an approximation until she can confirm that we are not going to be able to get a file of the retro details by individual.

ADJOURNMENT

There being no further business and the next Quarterly Meeting being scheduled for Thursday, December 3rd, Ms. Master made a motion to adjourn the Meeting at 1:19 PM, seconded by Mr. Rodriguez, and approved by the Trustees 3-0.

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Secretary

\_\_\_\_\_  
Date