

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

Chair Dwight Mattingly called the meeting to order at 8:32 AM at 3201 Electronics Way, West Palm Beach, FL, 33407. The meeting was also held virtually at the following information: <https://zoom.us/j/96909740502?pwd=VnRMV3pZU000ZFpCQzcwSmZOamt6dz09> [zoom.us], Phone: +1(301) 715-8592 Access Code: 063312. Those persons present included:

TRUSTEES

Dwight Mattingly, Chair
Marcos Rodriguez
Lisa Master
Jeremy Baker

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
Magdala St. Fleur, Palm Tran HR
Betty Garrett, Palm Tran HR
Masimba Mutamba, Palm Beach County Attorney
James Kelley, Vulcan Value Partners
Colin Casey, Vulcan Value Partners
Karen Russo, Salem Trust

Mr. Mattingly introduced new trustee Mr. Baker who was appointed by the County replacing Sean Smith. Mr. Harrison stated he would send Mr. Baker a 'new trustee' packet. Mr. Mattingly requested that Ms. Shah provide a copy of the trustee approval letter to the board members.

APPROVAL OF THE AGENDA

Ms. Master made a motion to approve the Agenda, seconded by Mr. Baker, and approved by the Trustees 3-0.

PUBLIC COMMENT

There was no public comment.

APPROVAL OF THE MINUTES

Ms. Master requested that her name be corrected in the minutes from the Quarterly Meeting of September 3rd and the Special Meeting of September 30th from 'Lisa Pontius' to 'Lisa Master.' Mr. Mattingly requested that in the minutes for the Special Meeting of September 30th that references to 'Local 1577' be changed to 'the plan.' With these corrections Ms. Master made a motion to approve the minutes for the Quarterly Meeting of September 3, 2020, and the minutes for the Special Meeting of September 30, 2020. Mr. Baker seconded the motion, approved by the Trustees 3-0.

INVESTMENT MANAGER REPORT: JAMES KELLEY AND COLIN CASEY (VULCAN VALUE PARTNERS)

Mr. Wan introduced Mr. Kelley. Mr. Kelley stated that the firm has \$14 billion in assets under management with \$9.7 billion in large cap. Mr. Kelley introduced Mr. Casey who is an equity analyst at the firm. Mr. Casey discussed what a value manager does—buys stocks lower than what they believe a company is worth and focuses on finding value-stable businesses that they would want to

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own in the future if the businesses ever became discounted. Mr. Casey pointed out that while the report which includes figures through October 31, 2020 reflects a negative year-to-date (YTD) return, the current YTD return (as of this meeting) is positive due to significant gains in November. Mr. Casey pointed out that the time horizon for Vulcan is 5 years.

The firm's top performing stocks included Amazon which has a broad product offering, significant comparative advantage, generates a lot of cash, and performs well in a 'covid' world. The firm's lowest performing stocks included Airbus SE. The firm entered 2020 feeling good about Airbus but when the facts changed they decided to sell. Selling Airbus allowed Vulcan to put more money into better, more stable, more discounted companies.

This concluded the Investment Manager Report.

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

Mr. Wan opened with a discussion about the general state of the global economy. During the first nine months of 2020, the return disparity between large-cap growth and value stocks reached 37 points (+23.3% vs. -13.4%), the largest spread since the late 1990s. While the S&P 500 index earned +5.5% for the first nine months of 2020, Amazon surged +69%, followed by Apple (+54%), Microsoft (+31%), Facebook (+27%), and Alphabet (+8.7%). While corporate earnings growth is at the core of stock performance, these stocks grew much faster than profits. Apple's share price doubled in the past 24 months, while its profits remained unchanged.

Mr. Wan stated that the plan did well due to being overweight to large cap growth and that he is expecting another positive 4th quarter. Looking at the low returns for global infrastructure, Mr. Wan pointed out that global infrastructure will be one of the first to recover in the 'post-covid' world. The positive return in convertibles was mainly due to Elon Musk/Tesla. While the plan's actively-managed funds did not own Tesla, the plan still benefitted from the positive returns of Tesla due to its investment in the index (SPDR Barclays Convertibles Securities). Looking at international equity, American Funds outperformed the index due to being overweight to Asia. In REITs, the ability to collect rent is most important. While the value of the properties has gone down, BCA sees signs of life and expects a recovery.

In discussing index fund performance, Mr. Wan presented an opportunity to invest via a CIT with BNY Mellon. This avenue of investing would be an alternative to Salem Trust purchasing mutual funds on the plan's behalf. BNY Mellon has fees of 0.01% and the plan would enter into a CIT agreement with BNY Mellon that would be separate from Salem Trust similar to the CIT agreement the plan has with Cohen & Steers. BCA recommends preparing the paperwork for shifting \$3 million from Fidelity Large Cap Growth Index to BNY Mellon Large Cap Index. Ms. Jensen pointed out that there would be legal fees associated with moving into a CIT. Mr. Wan stated that the savings should outweigh the legal fees provided the legal fees were less than \$12 to \$14 thousand. Ms. Jensen explained that the same type of side letter that was prepared for Cohen & Steers would be needed for BNY Mellon.

Mr. Rodriguez joined the meeting at 9:37 AM.

Ms. Master made a motion to start the paperwork for investing with BNY Mellon, Mr. Rodriguez seconded, approved by the Trustees 4-0.

Mr. Baker made a motion to accept the investment consultant's report as informational, seconded by Mr. Rodriguez, approved by the Trustees 4-0.

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ACTUARY REPORT: CHAD LITTLE

Mr. Little presented an issue to the board regarding the plan's rules around changing a beneficiary or a form of payment after the commencement of benefits. The plan currently allows the retiree to change their form of payment after they retire. For example, if a married participant who elected a J&S comes to the board after the spouse dies and wants to change to an SLA, the plan allows that. Mr. Little explained that having that option to change the form of payment is not a problem. The problem is that the plan document stipulates the exact J&S factors to be used in the original calculation and then says that a recalculation should be based on actuarial equivalence (but the J&S factors in the plan are not in line with current actuarial equivalence). While those J&S factors cannot be changed by the board, they could be changed through collective bargaining. Mr. Little explained that the plan could take steps to mitigate potential harm to the plan even if the J&S factors cannot be changed. Mr. Little requested approval from the board to move forward with drafting a policy that would mitigate potential harm to the plan by putting stipulations on the recalculations of benefits when changing a beneficiary or a form of payment. There was further discussion about the implications of changing the J&S factors. The consensus was to allow Mr. Little to draft a proposed policy that the board could review at the March meeting.

ATTORNEY REPORT: BONNI JENSEN AND KEN HARRISON

Ms. Jensen presented the final version of the 2020 Summary Plan Description for the board's approval.

A motion was made by Ms. Master to approve the changes to the SPD, seconded by Mr. Rodriguez, approved by the Trustees 4-0.

Ms. Jensen presented the vendor evaluations that were completed for plan administrator SBA. SBA was given high marks in all areas except for fees. Mr. Mattingly explained to the board that it is recommended the board evaluate vendors every two years and decide whether to continue with the current vendor or do a Request For Proposals (RFP). He asked the board if they would like to further discuss their evaluations of SBA. Ms. Master stated that she could not comment on a given vendor's fees unless she was provided a cost comparison to other vendors. The next evaluations to be completed will be for the auditor. Mr. Mattingly requested that the board complete at least two vendor evaluations so the board members should complete an evaluation of both the auditor and the attorneys.

Mr. Harrison advised the board that his office is looking at changes in state legislation. He has also been involved as needed on the Credit class action and the Televisa class action. A defendant requested access to the trustees' personal email accounts but backed down on that request. On the Credit case, another plaintiff wanted to share lead plaintiff status but the case is moving forward with our plan as sole lead plaintiff.

ADMINISTRATOR REPORT: MARY SHAH

Mary Shah presented the Administrator's Report. Ms. Shah advised the board that the annual renewal for the auditor ended up only being a 1% rather than a 3% increase so we should move forward with the renewal.

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A motion was made by Ms. Master to accept the renewal of the auditor, seconded by Mr. Rodriguez, approved by the Trustees 4-0.

Ms. Shah presented the renewal for her firm SBA as plan administrator. The renewal includes a 3% increase. She presented an amended fee schedule.

A motion was made by Mr. Rodriguez to renew SBA's contract, seconded by Mr. Baker, approved by the Trustees 4-0.

Ms. Shah presented the proposed 2021 meeting dates (March 4th, June 3rd, September 2nd, and December 2nd). Ms. Shah requested that Ms. St. Fleur go ahead and reserve rooms for these meetings.

A motion was made by Mr. Baker to approve the 2021 proposed meeting dates, seconded by Mr. Rodriguez, approved by the Trustees 4-0.

Ms. Shah presented the membership renewals for IFEBP, FPPTA, and NCPERS.

A motion was made by Ms. Master to accept the membership renewals, seconded by Mr. Baker, approved by the Trustees 4-0.

PLAN FINANCIALS

Ms. Master made a motion to receive and file the Interim Financials, Mr. Rodriguez seconded, approved by the Trustees 4-0.

Mr. Baker made a motion to ratify the Warrants dated December 3, 2020, seconded by Mr. Rodriguez, and approved by the Trustees 4-0.

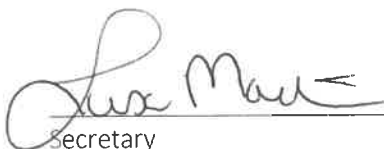
Ms. Master made a motion to accept the benefit approvals dated December 3, 2020, Mr. Rodriguez seconded the motion, approved by the Trustees 4-0.

BOARD COMMENTS

Ms. Shah advised the board that she would reach out to everyone regarding virtual FPPTA Winter Trustee School.

ADJOURNMENT

There being no further business and the next Quarterly Meeting being scheduled for Thursday, March 4th, Mr. Baker made a motion to adjourn the Meeting at 11:41 AM, seconded by Ms. Master, and approved by the Trustees 4-0.


Secretary

3/24/21
Date