PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 4, 2020

Chair Dwight Mattingly called the meeting to order at 8:35 AM at 50 S. Military Trail, West Palm Beach, FL, 33415. Those persons present included:

TRUSTEES	OTHERS PRESENT
Dwight Mattingly, Chair	Ken Harrison, Sugarman & Susskind
Marcos Rodriguez	Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Lisa Pontius	Frank Wan, Burgess Chambers & Associates
Sean Smith – not present	Chad Little, Freiman Little Actuaries
	Mary Shah, Strategic Benefits Advisors
	Stephanie Atli, Strategic Benefits Advisors
	Maggie St. Fleur, Palm Tran HR
	Brian Liffick, Cherry Bekaert
	Claudette Grant, American Funds
	Emily Tillman, American Funds
	Donna Raney, Palm Beach County
	Joshua Ruthizer, Wolf Popper

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 March 5, 2020. Marcos Rodriguez seconded the motion, approved by the Trustees 3-0.

Lisa Pontius made a motion to approve the Minutes for the Quarterly Meeting of March 31, 2020. Marcos Rodriguez seconded the motion, approved by the Trustees 3-0.

SECURITIES LITIGATION FIRM: JOSHUA RUTHIZER (WOLF POPPER)

Mr. Ruthizer presented Wolf Popper's services as a third-party securities monitoring firm. Wolf Popper has experienced litigators, personalized service, substantial trial experience, access to an international network of firms, and a 75-year track record of success. The firm offers case investigations, portfolio monitoring, settlement and claims management, nationwide litigation, and foreign litigation and advice. Wolf Popper focuses on doing good for pension funds and for society as a whole. The firm would provide the fund a report of monthly activity as well as a monthly list of every settlement reached (not just the ones that they know impacted a given fund). The firm brings a small number of cases that they believe to be most promising.

Mr. Mattingly asked at what recovery threshold the fund would be notified. Mr. Ruthizer said that the pension Board would determine that. Mr. Mattingly thanked Mr. Ruthizer and said the Board would discuss and let him know the outcome.

INVESTMENT MANAGER: CLAUDETTE GRANT AND EMILY TILLMAN (AMERICAN FUNDS)

Mr. Wan introduced American Funds representatives for the EuroPacific Growth Fund. The fund has a $6.5 million investment in this fund.

Claudette Grant started the presentation. Capital Group has $1.7 trillion in assets under management. Stock selection drives investment process. Capital has a unique approach that utilizes multiple managers (11 for the EuroPacific Growth Fund) which provides layers of diversity and takes advantage of different management styles. Capital Group has transitioned well to working from home during the global pandemic. The company is also privately held with no debt on its balance sheet. For the period ending March 31, 2020, there was 2% net outflow on the EuroPacific Growth Fund (not significant according to Ms. Grant) and the fund outperformed the benchmark.

Emily Tillman continued the presentation discussing the philosophy of the EuroPacific Growth Fund. The focus is on long-term growth of capital (capital appreciation). There are 320 companies in the portfolio. There is diversity across sectors and geography. One thing that differentiates is that they have meaningful investments in emerging markets. Having 11 portfolio managers provides diversity of thought and helps with generational planning. Younger managers are hired as older ones retire which will help provide stability to the fund long-term.

Ms. Tillman stated that even though the fund was down 9%, the market was down 14%; she pointed out that the fund was 500 basis points above the index in May. Major contributors have been healthcare investments, pharmaceuticals, and financials. Insurance companies and private sector banks in India have also benefited the fund. What hasn't worked in the fund are Industrials (aerospace and airline). When the market sold off hard, the fund stayed with quality and looked for predictable survivors, reducing energy and materials exposure. The fund's 10-year return ending March 31, 2020, was 3.97%, and the fund has a long history of outperforming the benchmark.

AUDIT REPORT: BRIAN LIFFICK (CHERRY BEKAERT)

Brian Liffick presented the audit results and required communications for the year ending December 31, 2019. Mr. Liffick reported a clean, unmodified opinion, no material weaknesses or significant deficiencies, and no reportable noncompliance. All transactions had authoritative guidance. There were no uncorrected adjustments, no disagreements with management, and there is agreement with the financial statements.

The difference in Receivables was due to a timing difference at year end. Investments increased by $19 million over last year. The larger Payable at year end is due to an actuary invoice.

Mr. Mattingly inquired about the Net Pension Liability as Percent of Covered Payroll. Actuary Chad Little explained that lower is better and that this ratio is used to compare against other pension plans.

Within the financial statements, there will be a "disclosure of subsequent events" which will mention COVID and expected volatility for the foreseeable future.

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

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

Frank Wan opened with a discussion about the brokenness in the market in late March. High quality investments were being sold at a major loss. The US government stepped in to purchase corporate bonds and high yield corporate bonds. On April 3rd the plan rebalanced and moved $2 million in cash into Fidelity large cap and mid cap stocks; the plan outperformed its peers in Q1 (down -12.8% versus peers down -13.7%). Market fluctuations took us from $119m at the end of 2019 to $103m at the end of March 2020 and back to $120m as of 6/3/2020. The period ending 3/31/2020 was particularly bad but we have already recovered. We are exactly where we need to be in terms of allocation. We saw the bottom of oil prices due to less demand and increased supply.

Vulcan outperformed after being on notice. Scout outperformed the market as well. Last year we did a lot to de-risk the plan, buying more convertibles which helped to protect us. We have two different types of real estate. Barings was at 1.4% and Public REITs at -28%. BCA is monitoring real estate as a class and may come to the Board with recommendations in the future. Garcia Hamilton has been on watch and did well this quarter. We underperformed on a couple of benchmarks but have since recovered. Mr. Mattingly noted that it feels like the markets are overly optimistic relative to the actual state of the world. Mr. Wan noted that the market was expecting worse numbers for unemployment so even though the numbers have been bad they have been better than expected which creates optimism in the market. It is also likely that if the market continues to lag there will be another stimulus package.

Bonni Jensen asked Mr. Mattingly if people were taking the bus more. He responded that some agencies have gone back to a full schedule but are not collecting fares and are limiting the number of passengers. Palm Tran is in the process of installing shields for drivers and then may resume collecting fares.

There is a fear in Florida that the tax revenue is going to go down significantly because of the loss of tourism. Lisa Pontius noted that property taxes are not projected to increase this year leading to a loss of an anticipated $50m. Because of the lag in reporting the loss of tourism may not be evident for a while. Hotels in April/May were practically empty when they would normally be at 90%.

For the quarter, the Fund experienced a market-based loss of $15.3 million or -12.7% (-12.8% net), ahead of the strategic benchmark (-13.0%). The three best performing assets were: Fidelity U.S. Bonds (+3.7%), GHA Aggregate Bonds (+3.5%) and Barings Core Property Fund (+1.4%).

For the one-year period, the Fund was down $5.2 million, or -4.4% (-4.7% net), similar to the strategic benchmark (-4.5%). These results ranked in the top 42nd percentile. The three best performing assets were: Fidelity U.S. Bonds (+9.6%), GHA Aggregate Bonds (+8.3%) and Barings Core Property Fund (+6.3%).

For the three and five-year periods, the Fund earned +3.1% (+2.6% net) and +3.4% (+2.9% 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.

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 presented the draft actuarial valuation. Required contribution went up to $6.5m. Funded Percentage went down just a bit. Assumed Rate of Return was decreased by 0.25% (2020 valuation report uses 7.5% down from 7.75% in 2019). New mortality tables were used. Pay increases were only 4% (half of what was expected).

Mr. Mattingly asked what happens when collective bargaining does a big retro payment for a previous year. Mr. Little said he will need to know if an individual's bump in pay was a one-time occurrence or if projected increases should be based on the "bumped up" salary amount. Mr. Little would also need to know to which prior periods the pay would apply. Mr. Mattingly asked Ms. Shah to request the breakdown of the retro pay (what applies to 2019 and what applies to 2020). Mr. Harrison asked Mr. Mattingly to provide him with a copy of the collective bargaining agreement. Mr. Mattingly says Ms. Shah will get a copy and put it online or distribute it. Mr. Mattingly confirmed there are currently no COVID-related payments to account for (or de-account for) in the 2020 pay records. Mr. Little and Ms. Shah will always need to be advised about any pay anomalies in order to ensure that valuation and individual calculations account for pay appropriately.

Mr. Little presented the savings that would result from making the employer contribution at the beginning of the year instead of quarterly. The conclusion is that doing so would save the employer $236,360. Mr. Little has to report a required contribution in the valuation report so a decision must be made soon about whether the employer contribution will be made annually or quarterly. Mr. Mattingly asked Ms. Shah to work with Mr. Little and Ms. Jensen to send a letter along with the valuation report to the County showing the savings of making the contribution at the beginning of the year rather than quarterly. Note that it will be an additional $1.6m during the first year because of the timing of the final quarterly/first annual contribution. The Board should be copied on the letter so that Ms. Pontius knows it has been sent to the County and can discuss the logistics of making the full year contribution by 1/1/2021.

Lisa Pontius made a motion to adopt the valuation, seconded by Marcos Rodriguez, approved by the Trustees 3-0.

Mr. Mattingly posed an issue to Mr. Little. When two employees work for a similar amount of time and then terminate vested and take the refund of their contributions, there is a major difference between the remaining deferred benefit due to someone who is young versus someone who is older. For someone who is young, their reduced deferred benefit may be significantly reduced, whereas the reduced deferred benefit of the older employee (with the same length of service) may be relatively large. Mr. Mattingly noted that the plan has a lot of older people coming into it and asked Mr. Little if the valuation was adequately accounting for this heavier burden placed on the plan by older new employees. Mr. Little requested the names of two example employees in order to do a study and present findings at the next meeting. Mr. Mattingly is suggesting the plan make a change so that people over a certain age cannot take a refund upon vested termination.

Ms. Jensen pointed out that the Board needed to provide the plan's Expected Rate of Return to the County each year. Mr. Harrison agreed. Mr. Wan is to provide a letter of support stating the probability of succeeding at making that Expected Rate of Return of 7.5%. Ms. Shah will include this analysis to the state actuary, Doug Beckendorf, communicating the change in the ARR to 7.5% for the 1/1/2020 actuarial valuation.

Lisa Pontius made a motion to set the Expected Rate of Return to the Assumed Rate of Return (7.5%) for the short, mid, and long-term, seconded by Marcos Rodriguez, approved by the Trustees 3-0.

ATTORNEY REPORT: BONNI JENSEN AND KEN HARRISON

Ms. Jensen provided an update on the CARES Act. The CARES Act does not yet have any regulations just general guidance. A self-certification form has been provided to the plan administrator which participants can complete. There will not be a COVID distribution code on the 1099-R. The logistics of the tax break are unclear but it is thought that participants could take refunds as cash in 2020 (instead of rolling over) and not pay the early withdrawal penalty if they meet the COVID-related criteria. Mr. Mattingly would like for the administrator to advise refund applicants that this COVID-related distribution is available.

Ms. Jensen reminded the Board that the Form 1 is due by July 1st.

Ms. Jensen presented a class action policy. The policy would set up guidelines for how and when the plan would enter into securities litigation. It provides the Chairman the authorization to enter into a class action and have that action ratified later by the Board. It can set the amount of loss needed for participation. Mr. Mattingly asked why we would want to set a threshold for participation. Ms. Jensen explained that entering into a class action can mean extra work for the plan so some Boards decide to set a threshold to make sure they only get involved in cases that will be worth the effort. Mr. Mattingly asked that the limit be removed from the draft policy.

Lisa Pontius made a motion to accept the draft class action policy with the exception of removing the $100k limit to be lead plaintiff, seconded by Marcos Rodriguez, approved by the Trustees 3-0. There will still be a $100k limit for the Board to enter into separate litigation.

Ms. Jensen reported on a participant issue regarding Andrew Leon. Mr. Leon was hired by Palm Tran on June 13, 2004 and worked until January 1, 2010 when he was terminated from employment. He grieved his termination, and filed for a vested retirement and took a refund of contributions in the amount of $3,114.54 and was entitled to a benefit that would begin at a later date. In June 2010, he was reinstated with no credited service for the period between January 8, 2010 to May 24, 2010. He was eligible to repay his contributions to the Plan per Section 4.17(b). His contributions were never repaid. He then worked May 24, 2010 to his final termination on September 14, 2010.

Had Mr. Leon never taken the refund in 2010, all his service would have been treated as one period. The issue is that he took the refund and it was never repaid. So now the Board needs to determine how to determine his benefit based on his service. The following are alternatives for the Board to review and consider:

(1) Pay a vested deferred pension, reduced for refund of employee contributions with interest, for period from 6/14/04 hire date to 1/6/10 termination date, with a refund of his contributions for the second nonvested period of service from 5/24/10 to 9/14/10.

(2) Allow for repayment of employee contributions with interest for the refund that was taken in March 2010. Board must confirm that this is permitted even though he was supposed to repay within a period of time after he was rehired, and that the 5% interest accumulation should be applied from date of payment to him in 2010 to the date of repayment) then all of his service will be treated as one period. This is similar to the treatment for participant Andre Robinson based on the Board's finding that the member was not advised of the requirement to repay the contributions at the time of reinstatement.
(3) Treat him as being vested for the two periods of service with two vested terminated benefits under the provisions for being rehired after retirement – if this option is chosen we will have to ask questions about the 2010 pay.

Mr. Mattingly stated that Andrew Leon is not like Andre Robinson in that Mr. Robinson was still a Participant in the plan and was brought back through arbitration; it is also believed that Mr. Leon knew he could repay the refund and chose not to do so.

The Board chose Option 1 for the treatment of Andrew Leon.

In general, at the time of rehire it should be determined whether it is a regular rehire or due to arbitration because that affects the amount of time the participant has to repay the refund of contributions. A regular rehire has 12 months. A reinstatement allows 60 months. Regardless, if the refund is not repaid the participant must be treated like a new hire.

Ms. Jensen presented another issue regarding the plan's rules around changing a benefit election. The plan allows for a change in election (with a fee if a recalculation is needed). This is not common across pension plans. Ms. Jensen asked the Board if they would like to request verification of health for retiree and beneficiary when the election change results in a higher survivor benefit. Mr. Mattingly suggested this conversation be continued at another meeting.

Ms. Jensen was also going to present a "Return to Work" affidavit but that will instead be discussed at the next meeting in September.

ADMINISTRATOR REPORT: MARY SHAH

Mary Shah presented the administrator's report. At the March 5, 2020 board meeting Board Chair Dwight Mattingly inquired about the cost of having the Plan's two attorneys both attending board meetings. SBA reviewed invoices from both attorneys for the four meetings that took place in 2019. The cost of meeting attendance for Bonni Jensen was $4,785; the cost of meeting attendance for Ken Harrison was $8,456.25.

Mr. Mattingly had also asked which administrative documents required notarization. For a retirement, notarization is required for two documents at a minimum (the Retirement Application and the Benefit Election Form). If the retiree qualifies for the Section 4.19 Refund, they would complete a Refund Application which also requires notarization. If the retiree is married and wants to name a non-spouse beneficiary for their death benefit and refund of contributions, that beneficiary designation form requires notarization, and the Spousal Consent Form would also have to be notarized. If the retiree is married and wants to elect a Single Life Annuity or 10-Year Certain and Life Annuity instead of a Joint and Survivor payment option, their spouse must complete the Spousal Consent Form for Benefit Election and that form requires notarization.

In addition to retirement forms, the non-vested and vested refund applications both require notarization. For a vested refund, if the participant is married, the spouse must complete a Spousal Consent Form for Vested Refund which also requires notarization. Additionally, if someone completes a standalone Beneficiary Designation Form, that requires notarization. If the participant is married and names a non-spouse primary beneficiary, the spouse has to complete a Spousal Consent Form for Death Benefit/Refund of Contributions, and that form requires notarization.

One form of personal identification (driver's license, birth certificate, or passport) is also required.

Mr. Mattingly had also inquired about the average length of time it takes for a retiree to receive their final benefit amount. SBA looked at 26 retirements from active service (no disability retirements and no vested retirements). The minimum amount of time it takes is 3 months (6 weeks for final pay, 4 weeks for final calculation, 1 week to mail commencement package to retiree, 1 week for retiree to return election form). Any delay beyond 3 months is usually due to the retiree taking longer than 1 week to return their election form. Eight of twenty-six retirees commenced their final benefit in less than 3 months which is the minimum amount of time. Fourteen retirees commenced final benefit within 3 to 5 months of termination which is the average amount of time. Four retirees commenced within 5 to 6 months of termination which was due to these retirees taking 2 to 3 months to return their election form.

Lisa Pontius made a motion to approve the disability retirement of Bill Weston, seconded by Marcos Rodriguez, approved by the Trustees 3-0.

PLAN FINANCIALS

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

Lisa Pontius made a motion to ratify the Warrants dated June 4, 2020, 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

Marcos Rodriguez made a motion to retain Wolf Popper as a securities monitoring firm, seconded by Lisa Pontius, approved by the Trustees 3-0. Mr. Harrison will draft the contract.

Sean Smith is leaving Palm Tran and we have not yet been advised by the County as to who will take his place on the Board.

Mr. Mattingly noted that FPPTA is conducting virtual sessions online and believes credit is being given. It is uncertain what will happen with the October FPPTA. If there are any in-person sessions there will also be a virtual option.

ADJOURNMENT

There being no further business and the next Quarterly Meeting has been scheduled for Thursday, September 3rd, Lisa Pontius made a motion to adjourn the Meeting at 1:42 PM, seconded by Marcos Rodriguez, and approved by the Trustees 3-0.

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Secretary Date