

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD MARCH 24, 2021**

Chair Dwight Mattingly called the meeting to order at 8:51 AM at 100 N Congress Ave, Delray Beach, FL. The meeting was also held virtually at the following information: <https://zoom.us/j/93479825868?pwd=RHpEMlJOY2M2OVhSbFBZYTZabnh3Zz09>, Phone: +1(301) 715-8592, Meeting ID 9347 982 5868, Access Code: 393660. 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, Assistant Palm Beach County Attorney
Brian Liffick, Cherry Bekaert

APPROVAL OF THE AGENDA

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

PUBLIC COMMENT

There was no public comment.

APPROVAL OF THE MINUTES

Mr. Mutamba requested that his title in the Minutes be changed to Assistant Palm Beach County Attorney. **With this correction Ms. Master made a motion to approve the Minutes for the Quarterly Meeting of December 3, 2020. Mr. Baker seconded the motion, and it was approved by the Trustees 3-0.**

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

Mr. Wan presented to the Board the Investment Summary for the period ending December 31, 2020.

For the quarter, the Fund experienced a market-based gain of \$13.8 million or +11.1% (+11.0% net), ahead of the strategic benchmark (+10.7%) and ranked in the top 27th percentile. The three best performing assets were: SPDR convertibles (+22.1%), Scout Mid Cap Core (+22.0%) and SSI convertibles (+20.7%).

For the one-year period, the Fund was up \$19.7 million, or +16.9% (+16.5% net), ahead of the strategic benchmark (+15.3%). These results ranked in the top 10th percentile. The three best performing assets were: SPDR Convertibles (+54.0%), SSI Convertibles (+48.0%) and Advent Convertibles (+41.2%).

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For the three and five-year periods, the Fund earned +10.4% (+10.0% net) and +10.6% (+10.1% net) per year, respectively.

The Vulcan large-cap value product outperformed the benchmark for the quarter (+17.0% vs. +16.3%) and one-year period (+14.6% vs. +2.8%), ranking in the top 40th and 16th percentiles, respectively.

The Scout mid-cap core product beat its benchmark for the quarter (+22.0% vs. +19.9%), ranking in the top 43rd percentile. One-year results (+28.5% vs. +17.1%) ranked in the top 7th percentile.

The Cohen & Steers CIT product was behind the benchmark for the quarter (+7.6% vs. +8.7%), but outperformed for the one-year period (-0.9% vs. -3.3%) and ranked in the top 40th percentile.

Advent and SSI convertible bonds underperformed the benchmark for the quarter (+19.4% and +20.7% vs. +21.7%), but ranked in the top 15th and 9th percentiles, respectively. One-year results (+41.2% and +48.0% vs. +55.7%) ranked in the top 20th and 14th percentiles, respectively.

EuroPacific Growth was well ahead of the benchmark for all periods and rankings were above average.

Baring's private real estate was behind the benchmark for the quarter (+0.4% vs. +1.3%) and one-year period (+0.6% vs. +1.2%). The product averaged +6.5% per year for the last five years.

Garcia Hamilton's fixed income products was slightly behind the benchmark for the quarter (+0.2% vs. +0.7%), but ahead for the one-year period (+8.0% vs. +7.5%).

In January, the annual contribution in the amount of \$6,268,796 was deposited. The contribution was allocated as follows: \$1 million to the American Funds EuroPacific Growth Fund, \$3 million to the Fidelity US Bonds Index, \$1 million to GHA fixed income, and the remainder was left in cash to cover upcoming expenses and benefit payments.

The Board discussed the fact that the County made an annual contribution to the Plan for the first time this year instead of quarterly contributions. The Board emphasized the importance of having an investment plan in place ahead of the annual contribution such that as soon as the contribution is deposited the funds can be deployed to the appropriate investments. The Board noted to the Investment Consultant and the Plan Administrator that the fact that the County made an annual contribution rather than quarterly contributions would pose new challenges for anticipating cash needs. The Investment Consultant and the Plan Administrator assured the Board that they would stay in close communication about cash needs throughout the year to ensure that there is enough cash to cover expenses and benefit payments without leaving too much money in cash. The Board also asked the Investment Consultant to be in touch with Ms. Master regarding the best timing for the annual contribution. Ms. Master stated that the County's annual contribution could be made anytime after October 1st and before January 1st.

Mr. Rodriguez arrived at 9:20 a.m.

Mr. Rodriguez made a motion to accept the Investment Consultant's report as informational, seconded by Ms. Master, approved by the Trustees 4-0.

ACTUARY REPORT: CHAD LITTLE

Mr. Little reported to the Board that he has been in communication with the County regarding the rate of return used in the GASB 68 report which is used for accounting purposes only and is not the same as the rate of return reported to the County for funding purposes. The GASB 68 report which is prepared by the Actuary and provided to the County for accounting purposes initially used a rate

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of return of 7.5% which is the same rate of return as was used for funding purposes. The Actuary had to footnote that rate with a statement that said that the 7.5% rate of return significantly conflicted with the Actuary's assumption of what was reasonable. The County did not want to accept the GASB 68 report as long as it had that footnote in it. The County suggested using 6.5% of 7.5% since the GASB 68 report already contained amounts related to 6.5% and because the Actuary had informed the County that if 6.5% was used the footnote would be removed.

The Board had concern over using a lower rate of return in the GASB 68 report. Plan Auditor Brian Liffick advised the Board that using a lower rate of return in the GASB 68 report would not be problematic from an audit perspective.

Since the County needs to receive the GASB 68 report in March each year in order to stay on track with their annual audit, the County requested that the Board approve the rate of return used for the GASB 68 report earlier next year. Mr. Little suggested approving it in February next year. Mr. Harrison suggested that the Board ratify the Chairman's decision to use 6.5% as the rate of return for the GASB 68 report this year and establish a policy to approve the rate annually ahead of the Actuary completing the GASB 68 report.

Ms. Master made a motion to revise the 9/30/2020 GASB 68 report to 6.5%, Mr. Baker seconded, and the Trustees approved 4-0.

The discussion around lowering the rate of return for the GASB 68 report spurred discussion around also lowering the rate of return used for funding purposes. Mr. Wan informed the Board that FRS lowered their assumed rate of return from 7.2% to 7.0% and recommended that the Board gradually lower their assumed rate of return rather than potentially being forced by the state to make a more drastic reduction at some point in the future. Mr. Little informed the Board that the Annual Required Contribution (ARC) would go up around a half million dollars if the assumed rate of return was lowered from 7.5% to 7.25%. Ms. Master informed the Board and the plan's professionals that the County was already preparing budgetarily for the rate of return for funding purposes to be reduced by 0.25%.

Ms. Master made a motion to lower the plan's assumed rate of return for funding purposes from 7.5% to 7.25% effective with the 1/1/2021 Valuation Report. The motion was seconded by Mr. Rodriguez and the Trustees approved 4-0.

Mr. Little informed the Board that he will present the beneficiary change policy to the Board at the June meeting.

ATTORNEY REPORT: BONNI JENSEN AND KEN HARRISON

Plan Attorney Bonni Jensen presented several items to the Board. The first was a new state law requiring public employers to use e-verify. It requires public employers to register with and use the e-verify system. Public employers also must confirm that their service providers are using e-verify. As public employers establish new contracts with service providers the contracts must require the contractors to use e-verify. Contracts must require subcontractors to sign an affidavit stating that they are not hiring any unauthorized persons. Chairman Mattingly asked how this would apply to money managers that hire foreign people. Mr. Harrison informed the Board that it appeared that the new law was focused on hires that happen within the U.S. Mr. Harrison stated that the way

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service providers are complying is by sending a letter to their respective public employer stating that they are complying. Ms. Jensen was uncertain if the Palm Tran Pension Plan could even register with e-verify so it was unclear how the plan would be subject to this new law. Mr. Baker asked if there would be audit requirements related to this. Ms. Jensen informed the Board that there are no audit requirements but that if you suspect that a contractor is not in compliance you are required to terminate their contract.

Ms. Jensen reported that the mileage reimbursement rate had been reduced to \$0.56 per mile.

Ms. Jensen proposed pension plan Amendment 5 to the Board which would increase the Required Minimum Distribution (RMD) age from 70 ½ to 72. This change to the RMD age was made by the federal government in December 2019. Once the amendment is approved by the Board the Actuary would complete an actuarial impact statement. The amendment and the actuarial impact statement would then be provided to the County and to the State.

Ms. Jensen informed the Board that she had reviewed many contracts in 2020 and was often times getting 'push back' from contractors about provisions that are non-negotiable because they are Florida law so she wanted to level-set with the Board which provisions should be in every contract. Mr. Harrison has reviewed the provisions Ms. Jensen is proposing and is in agreement with those provisions. Chairman Mattingly requested including a provision to require contractors to utilize AFL-CIO proxy voting. Mr. Harrison and Ms. Jensen informed the Board that the current provisions require the plan's attorney to review the contractor's policy around AFL-CIO proxy voting and that the plan reserves the right to make changes to a contract if it does not adequately address AFL-CIO proxy voting. Ms. Jensen pointed out that Section 12 of the proposed policy allows the plan a 'get out of jail free card' if it comes across an investment that is contrary to the policy. The Board could accept an investment into the portfolio even if it did not follow the policy. In this way the Board would not need to amend the policy if it wanted to move forward with a contract that did not follow the policy exactly.

Ms. Master made a motion to adopt the policy as draft and review the final version at the next meeting of the Board. The motion was seconded by Mr. Baker and approved by the Trustees 4-0.

Ms. Jensen presented her firm's legal opinion on virtual Board meetings. Her firm does not believe that anything in state law or county code requires the Board's meetings to be in person. The Board asked Mr. Mutamba for the County's stance on the issue. Mr. Mutamba shared that the County agreed with Ms. Jensen's firm in that there is nothing in state law or County code that definitively requires a quorum to be established in person. Given that there is nothing definitive in the law the County has taken the opposite position as Ms. Jensen's firm and has embraced a conservative position requiring quorums to be established in person in order to minimize risk to the County if state law is ever clarified to require in-person quorums. If this were to happen, and quorums had been established virtually, all business conducted at those 'illegal meetings' would be invalidated.

Ms. Jensen reiterated to the Board that the state's Attorney General admitted that there is nothing in state statute that requires a quorum to be in person and that the Sunshine Law only requires public meetings to be 'open.'

Mr. Mutamba is aware of municipalities passing policies to allow virtual meetings but reiterated that the County's position is that municipalities do not have the authority to pass their own policy

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allowing virtual meetings. He does recognize that the Board is not a municipality and has the ability to follow outside Counsel.

Mr. Baker made a motion to adopt the opinion of Ms. Jensen's firm on virtual meetings allowing the Board to establish a quorum virtually. The motion was seconded by Mr. Rodriguez and approved by the Trustees 4-0.

Mr. Harrison informed the Board that he is reviewing the plan's current securities monitoring agreements and requested copies of the agreements from Ms. Shah.

ADMINISTRATOR REPORT: MARY SHAH

Ms. Shah presented retirements in progress to the Board. Chairman Mattingly asked about delays related to the calculating of final retirement benefits. Ms. Atli informed the Board that these delays were due to the need for HR to research gaps in pay history and needing to determine if any service should be credited for those periods. Chairman Mattingly would like to explore options for proactively closing gaps in the payroll history data so that this research does not have to be done at the time of retirement (which delays the calculation of the final retirement benefit). Chairman Mattingly stated that there should be a complete documented picture of any periods of leave. HR representative Magdala St. Fleur informed the Board that recent employees are well documented in the HR system but that issues from longer ago are in paper files. Ms. Shah suggested that SBA work with the Actuary to identify gaps in the payroll history and then propose next steps.

Ms. Jensen presented a participant issue (Bruce Laroche) for review by the Board. The participant retired one and a half years ago and has been rehired. The Board was asked to determine if his retirement was bona fide or not. Ms. Jensen advised the Board that provided no one prearranged for him to come back to work in April 2021 she believes the retirement was bona fide. Chairman Mattingly confirmed that no one from HR reached out to him about coming back to work. Ms. Jensen informed the Board that if his retirement is considered to be bona fide he will continue receiving his benefit and will start to accrue a new benefit under Tier 4. Ms. Master asked if there was a time limit to being considered a bona fide retirement. Ms. Jensen informed the Board that while most plans do not allow someone to continue receiving their pension if they come back to work, the Palm Tran plan does allow it and does not provide any sort of time frame for how long someone should be gone from the employer to be considered a bona fide retirement. When plans do set time frames it is generally between 30 days and 60 months.

Mr. Baker made a motion to confirm that Bruce Laroche's retirement was bona fide. The motion was seconded by Ms. Master and approved by the Trustees 4-0.

Ms. Shah informed the Board that the Certificate of Tax Exempt Status was obtained for the pension plan and is good for five years.

Ms. Shah updated the Board on the status of the BNY Mellon CIT. Mr. Harrison has reviewed and approved the contract and it is ready for Dwight's signature.

Ms. Shah confirmed that Dwight, Marcos and Lisa are registered for FPPTA.

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Ms. Shah presented a quote from United Members Insurance for the renewal of the general liability insurance. **Ms. Master made a motion to accept the quote and renew the general liability insurance. The motion was seconded by Mr. Rodriguez and the Trustees approved 4-0.**

Ms. Shah provided an update on the annual audit. The audit is well under way. Cherry Bekaert will do their audit analysis and provide the assets to the Actuary by the end of April so that the Actuary can get GASB 67 results finalized to be presented at the June meeting.

Chairman Mattingly noted that there seemed to be greater demand this year for the annual pension statement and for the retirement seminar. He requested that the statements be completed and provided to employees as soon as possible and preferably prior to the retirement seminar. He is interested in exploring the emailing of statements to employees but realizes this may take significant coordination between the plan administrator, payroll, HR, and IT and that it may be better to mail statements this year and look into emailing them next year.

Ms. Shah informed the Board that membership renewals for FPPTA and NCPERS had been processed. **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 March 4, 2021, seconded by Mr. Rodriguez, and approved by the Trustees 4-0.

Mr. Baker made a motion to accept the Benefit Approvals dated March 4, 2021, Ms. Master seconded the motion, approved by the Trustees 4-0.

BOARD COMMENTS

There were no comments from the Board.

ADJOURNMENT

There being no further business and the next Quarterly Meeting being scheduled for Thursday, June 3rd, **Mr. Baker made a motion to adjourn the Meeting at 1:18 PM, seconded by Ms. Master, and approved by the Trustees 4-0.**



Secretary

6/22/2021
Date