

**PALM TRAN ATU LOCAL 1577 PENSION PLAN  
MINUTES OF QUARTERLY MEETING HELD JUNE 2, 2022**

Chair Dwight Mattingly called the meeting to order at 8:39 AM at 100 N Congress Avenue, Delray Beach, FL. The meeting was available by communications media technology (CMT) using the following information:

<https://us06web.zoom.us/j/88317297297?pwd=MHRva3B5RFVZL2E1a0k4d1ZxMFFyQT09>,

Phone: (301)715-8592, Meeting ID 883 1729 7297, Passcode 856095.

Those persons present included:

TRUSTEES

Dwight Mattingly, Chair  
Marcos Rodriguez  
Lisa Master

OTHERS PRESENT

Robert Sugarman, Sugarman Susskind Braswell & Herrera  
Bonni Jensen, Klausner, Kaufman, Jensen & Levinson  
Frank Wan, Burgess Chambers & Associates  
Chad Little, Freiman Little Actuaries, via CMT  
Brian Liffick, Cherry Bekaert via CMT  
Stephanie Atli, Strategic Benefits Advisors  
Terrie James, Palm Tran HR  
Masimba Mutamba, Assistant Palm Beach County Attorney, via CMT  
Scott Clodfelter, Capital Group American Funds  
Mark Seaman, Capital Group American Funds  
Frank Stanzione, Retiree  
Lenworth Brown, Retiree

APPROVAL OF THE AGENDA

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

APPROVAL OF THE MINUTES

Mr. Rodriguez made a motion to approve the Minutes from the Quarterly Meeting of March 3, 2022, which were reviewed in advance by Counsel. Ms. Master seconded the motion, and it was approved by the Trustees 3-0.

Ms. Master made a motion to approve the Minutes from the Special Meeting of April 28, 2022, which were reviewed in advance by Counsel. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 3-0.

PUBLIC COMMENT

There were no Public Comments.

INVESTMENT MANAGER: SCOTT CLODFELTER AND MARK SEAMAN (CAPITAL GROUP AMERICAN FUNDS)

Mark Seaman presented to the Board on behalf of Capital Group American Funds (Capital Group). Mr. Seaman reported that Capital Group currently has \$2.6 trillion in assets under management. The Palm Tran Pension Plan is invested in the EuroPacific Growth strategy which seeks to provide long-term growth of capital by investing in attractively valued companies in developed and emerging markets. Capital

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Group focuses on companies that are positioned to benefit from innovation, global economic growth, increasing consumer demand or a turnaround in business conditions. Mr. Seaman explained that in the short-term the EuroPacific Growth strategy is lagging but that it has a track record of performing well over the long-term. Currently Growth stocks are being hit hardest while consumer staples have been less negative. Capital Group looks to hold companies over a three to five-year period and does not necessarily make changes to the portfolio when the market changes. Mr. Seaman pointed out that the portfolio is reducing exposure to emerging markets. He pointed out that Russian securities have lost all value and that those Russian securities that remain in the portfolio are not able to be sold right now. As of February, Capital Group has instated a policy to not buy anymore Russian securities.

Chairman Mattingly asked Mr. Seaman about the possibility of a recession. Mr. Seaman opined that the possibility of recession outside of the U.S. is quite high and that China is likely already in a recession.

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

Mr. Wan explained that while Capital Group's EuroPacific Growth strategy is currently lagging, it has outperformed the benchmark consistently over the longer term. Mr. Wan presented the quarterly investment report for Q1 2022.

For the quarter, the Fund experienced a market-based loss of \$7.4 million or -4.5% (-4.6% net), outperforming the 35/15/50 benchmark (-5.6%) and behind the strategic model (-3.6%). There were losses in both stocks and bonds.

For the one-year period, the Fund was up \$6.6 million, or +5.0% (+4.7% net), ahead of the 35/15/50 benchmark (+1.9%) and behind the strategic benchmark (+6.5%). The best performing assets were Barings Core Property Fund (+25.8%), Fidelity Real Estate Index (+21.4%), and Cohen & Steers Global Infrastructure (+17.0%).

For the three and five-year periods, the Fund earned +11.3% (+10.9% net) and +9.5% (+9.1% net) per year, respectively.

Chairman Mattingly inquired about BCA creating a one to two-page summary about the health of the pension fund which could be mailed out each year with the pension statements. Mr. Wan presented a sample summary sheet that BCA has provided to another pension fund. There was consensus among the Board that BCA should create a similar exhibit for the Palm Tran Pension Plan. Mr. Wan will work on this and present it to the Board at a future meeting.

AUDITOR REPORT: BRIAN LIFFICK (CHERRY BEKAERT)

Brian Liffick presented to the Board the Audit Results and Required Communications for the year ending December 31, 2021. Cherry Bekaert issued an unmodified opinion with no material weaknesses identified and no reportable noncompliance. Mr. Liffick reviewed the financial statements and reported that there were strong financial returns. He pointed out that the 'prepaid' contributions (since made at the end of December instead of in January) count as a liability just because of the timing. In the investment portfolio, the net increase is primarily due to investment returns. Cherry Bekaert reviewed the investment policy and there were no concerns there. Administrative expenses were consistent. Trustee expenses have gone back up due to being back in person after the pandemic for conferences and educational events. Once the Board signs the management representation letter, the signed financial statements will be issued.



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Ms. Master made a motion to approve the audit report and draft financial statements as of 12/31/2021. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 3-0.

ACTUARY REPORT: CHAD LITTLE (FREIMAN LITTLE ACTUARIES)

Chad Little presented to the Board the draft Actuarial Valuation as of January 1, 2022. The primary driver this year was investment returns. The Pension Plan added Amendment 5 which increased the Required Minimum Distribution age from 70 ½ to 72; this amendment had no impact on the funding of the Pension Plan.

Page 1 indicates that the Employer Contribution will go down from \$6.39 million in 2022 to \$6.19 million in 2023. This is primarily due to assets growing substantially while payroll has only increased modestly. The Funded Percentage is 87.98%; this percentage is based on the Actuarial Value of Assets (which is lower than the Market Value of Assets used in the auditor's report). The Assumed Rate of Investment Return is 7.00%, down from the 7.25% that was used for the 2021 actuarial valuation. Mr. Little pointed out that the Pension Plan is not worse-funded because of that change but that the model shows a lower expectation of returns going forward which changes the resulting funded percentage. The Plan has the same assets and will pay the same benefits as before the change.

Page 5 shows that based on the Market Value of Assets the Pension Plan is 96.61% funded.

Page 7 shows that the Pension Plan is a mature plan. The investment returns of the Pension Plan are being used to pay out more in benefits than the Plan is bringing in in contributions. Mr. Little pointed out that eventually the Pension Plan could use interest and dividends to pay benefits if it wanted to not be selling investments to pay benefits and invoices.

Page 12 shows the Development of Actuarial Value of Assets which shows \$13.8 million of Unrecognized Gains/Losses that will trickle into the Pension Plan over time. This is a smoothing technique that helps minimize fluctuations in the required minimum employer contribution.

Chairman Mattingly asked how the Board would know how much Palm Tran is saving by doing an annual employer contribution instead of quarterly contributions. Mr. Little stated that he would calculate that amount separately and provide it to the Board. Chairman Mattingly would like for that to be provided to Palm Tran as the rationale for the annual versus quarterly contribution.

There was discussion around the Amortization Bases. Mr. Little did not recommend any changes to the amortization bases at this time.

Mr. Rodriguez made a motion to approve and adopt the Actuarial Valuation as of January 1, 2022, and to request that the Plan Administrator do the necessary filing with the County, State, and Palm Tran. Ms. Master seconded the motion, and it was approved by the Trustees 3-0.

Ms. Master made a motion to set the Expected Rate of Return to 7.0% for the short-term, the mid-term, and the long-term. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 3-0.

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Chairman Mattingly asked when the last time was that an experience study was conducted. Mr. Little reported that it was 1/1/2018. Mr. Sugarman recommended delaying another experience study until after the new Collective Bargaining Agreement is finalized. Mr. Little explained that the experience study would not be based on current contract terms but rather on what has happened in reality over the last few years.

ATTORNEY REPORT: BONNI JENSEN AND ROBERT SUGARMAN

Ms. Jensen reminded the Trustees to complete Form 1 and have proof that they completed it. They will need to file it in their county of residence. Mr. Sugarman requested that the Trustees obtain a receipt showing that they have filed the Form 1 and provide that receipt to the Plan Administrator to keep on file.

Ms. Jensen informed the Board that the IRS Mileage Rate for 2022 is 58.5 cents per mile, up 2.5 cents from last year.

Ms. Jensen presented to the Board a memo regarding IRS Required Minimum Distributions proposed regulations and IRS guidance around cryptocurrencies. The proposed regulations raised the age for which retirees are required to start minimum distributions from age 70½ to 72, clarified the definition of “eligible designated beneficiaries,” further defined the meaning of “disability” and “chronically ill,” and clarified the timing of distributing RMDs. Additionally, on March 10, 2022, the U.S. Department of Labor (DOL) published a compliance assistance release concerning 401(k) plans investing in cryptocurrencies. DOL expressed serious concerns about plans investing in cryptocurrencies and related products due to the significant risks of fraud, theft, and loss because of their speculative nature, custodial, recordkeeping, and valuation concerns, as well as the evolving regulatory market. While DOL regulations do not apply to public plans, Section 112.661, Florida Statutes, applies the ERISA standard of care to investment decision making.

Ms. Jensen also presented a revised Benefit Payment Policy for the Board’s review. The Board had previously requested that a policy be drafted to clarify under what circumstances a retiree can change their form of payment after returning their election form. Ms. Jensen explained to the Board that the Plan Document already provides 90 days from the date the election form was provided to the participant. Even if the participant returns their election form and receives a payment, if they are still within 90 days from when the form was provided to them, they are permitted to change their election. Based on this existing provision in the Plan Document there was consensus among the Board to not make changes to the current Benefit Payment Policy. The other draft changes to the Policy were regarding participants who terminate, take a refund, and then get reinstated but do not repay their refund. Chairman Mattingly recommended not making this change unless it was absolutely necessary. If it is determined that the change is absolutely necessary, the Board will review that change at a future meeting.

Ms. Jensen informed the Board that retiree Charles Sterrantino requested an appeal hearing. Chairman Mattingly asked if a Request For Proposals (RFP) was needed to hire an attorney to represent the Pension Plan. Ms. Jensen stated that an RFP was not needed. Chairman Mattingly recommended local attorney Mark Floyd. There were no objections from the Trustees. Ms. Jensen stated that she would contact attorney Mark Floyd about representing the Pension Plan in this appeal hearing.



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**Ms. Master made a motion to permit Chairman Mattingly to approve independent counsel to represent the Pension Plan in the appeal hearing for Charles Sterrantino. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 3-0.**

There was consensus among the Board to schedule a special time for the appeal hearing rather than holding the hearing during the quarterly meeting.

Mr. Sugarman presented Amendment 7 to the Board which would allow a domestic partner to be treated as a spouse with regard to the pre-retirement survivor annuity. Mr. Sugarman clarified that this amendment does not impact the order of payees in the case where no beneficiary is on file.

Chairman Mattingly requested that the Plan Administrator advise Human Resources of this change so that HR can make new employees aware when completing their pension beneficiary designation form and so that HR can collect information about domestic partners as necessary.

**Mr. Rodriguez made a motion to adopt Amendment 7 permitting a domestic partner to be treated as a spouse with regard to the pre-retirement survivor annuity. Ms. Master seconded the motion, and it was approved by the Trustees 3-0.**

Ms. Jensen presented the Generic Signature Authorization Form to the Board and recommended that all authorized signers be included. Ms. Atli informed the Board that the current Signature Authorization for Salem Trust authorizes the four Trustees as well as Mary Shah and herself and only requires the signature of one person (not two). Ms. Jensen informed the Board that following the same protocol for the Generic Signature Authorization would be acceptable. The Board agreed to follow the same protocol (include all Trustees as well as administrators Stephanie Atli and Mary Shah, and require only one person's signature instead of two).

ADMINISTRATOR REPORT: STEPHANIE ATLI

Ms. Atli presented the quote for General Liability insurance.

**Ms. Master made a motion to renew the General Liability policy. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 3-0.**

Ms. Atli presented a status report from Tarcza & Associates listing all of the retirees that have contacted them regarding the 2018 IRS Issue and the status of their case (pending, resolved and awaiting payment, or settled).

Ms. Atli presented information from Salem Trust regarding their new Pensioner Portal. Chairman Mattingly asked if the portal worked from a mobile device and asked that the answer be made clear in any communications to the retirees. The Board discussed all of the available services in detail.

**Ms. Master made a motion to provide all of the Core Services on the Pensioner Portal Authorization Form (provided retiree bank account numbers are not shown on the website), all blank forms (which retirees will have to print, sign and return to the Plan Administrator), and none of the Optional Retiree Services. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 3-0.**

Ms. Atli presented the report on retirements in progress with SBA.

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PLAN FINANCIALS

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

Mr. Rodriguez made a motion to ratify the Warrants dated June 2, 2022, seconded by Ms. Master, approved by the Trustees 3-0.

Mr. Rodriguez made a motion to accept the Benefit Approvals dated June 2, 2022, seconded by Ms. Master, approved by the Trustees 3-0.

BOARD COMMENTS

Ms. Master congratulated Chairman Mattingly on the Raymond T. Edmondson award he will be receiving at the upcoming FPPTA conference.

OTHER BUSINESS

There was no Other Business.

ADJOURNMENT

There being no further business and the next Quarterly Meeting being scheduled for Thursday, September 1<sup>st</sup>, Mr. Rodriguez made a motion to adjourn the Meeting at 1:02 PM, seconded by Ms. Master, and approved by the Trustees 3-0.

Secretary

  
Jeremy Beker

Date

  
9/1/22