

**PALM TRAN ATU LOCAL 1577 PENSION PLAN
MINUTES OF QUARTERLY MEETING HELD JUNE 6, 2024**

Trustee Lisa Master called the meeting to order at 8:30 AM at 100 N Congress Avenue, Delray Beach, FL. The meeting was available by communications media technology (CMT) using the following information: <https://pbc-gov.webex.com/pbc-gov/j.php?MTID=m8122799475d91d3342011066e732f319> Phone: 1 (844) 621-3956, Meeting number (access code): 2302 591 6681, Meeting password: WZmm5taV83e

Those persons present included:

TRUSTEES

Dwight Mattingly, Chair via CMT
Lisa Master
Marcos Rodriguez
Valerie Alleyne

OTHERS PRESENT

Bob Sugarman, Sugarman Susskind Braswell & Herrera
Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Frank Wan, Burgess Chambers & Associates
Magdala St. Fleur, Palm Tran HR
Joey Acevedo, Palm Tran Union
Jason Wallace, American Funds
Karen Russo, Salem Trust
Alison Wester, Mauldin & Jenkins, via CMT
Chad Little, Freiman Little Actuaries
Mary Shah, Strategic Benefits Advisors
Lesley Posey, Strategic Benefits Advisors

Ms. Master made a motion to allow Mr. Mattingly to participate via CMT. The motion was seconded by Ms. Alleyne and approved by the Trustees 4-0.

APPROVAL OF THE AGENDA

Ms. Alleyne made a motion to approve the Agenda. The motion was seconded by Mr. Rodriguez and approved by the Trustees 4-0.

APPROVAL OF THE MINUTES

Mr. Rodriguez made a motion to approve the Minutes from the Quarterly Meeting of March 7, 2024 with typographical error fix. Ms. Alleyne seconded the motion, and it was approved by the Trustees 4-0.

PUBLIC COMMENT

There were no Public Comments.

AMERICAN FUNDS: JASON WALLACE

Mr. Wan (BCA) introduced Mr. Wallace from American Funds, a managed fund in the International Equity portion of the pension plan portfolio. Mr. Wallace first provided an organizational overview, describing that they have a long-term approach, multiple portfolio manager teams and a global footprint. They have a multiple manager system where each manager manages a slice of the assets.

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Portfolio managers are very tenured, with a median of 30 years in the investment industry and 26 years with the company. Their strategy is to provide long-term growth of capital using a bottom-up and research-driven investment process.

Mr. Wallace discussed the Investment results, cumulative return, year-to-date (3 months) was 7.44% vs. their benchmark (MSCI All Country World Index (ACWI) ex USA) of 4.69%. Average annual returns over the past 3 years underperformed the benchmark (-0.16% vs. 1.94%), with 2021/2022 results driving this underperformance.

Mr. Wan noted that Canada and other countries are beginning to lower interest rate relative to the US economy. Higher US interest rates mean that the US dollar is strong and points to investing more domestically. If interest rates drop, the US dollar becomes weaker against other currencies and will point to investing more internationally.

Mr. Rodriguez wanted to know, with the losses at the end of 2021 and first quarter of 2022, what was it attributed to and what have we learned? Mr. Wallace replied that during that timeframe, they were invested in more growth-oriented stocks and the emphasis is not on more value based stocks.

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

Mr. Mattingly started the discussion by asking if we are well within what is required by Florida Statute; are we abiding by the Protecting Florida's Investments Act? Mr. Wan described that, as a plan, we are complying, but it is up to the specific managers to consider and comply. They have not seen any violations in their reviews. Mr. Rodriguez asked if they should be practicing something different to comply? Mr. Sugarman replied that they rely on the managers to run screens. Mr. Wan stated that the list of scrutinized companies is on the state website, but he will provide the list for education and compare to the funds' holdings.

Mr. Wan presented the market overview for the first quarter of 2024. Market returns for the S&P 500 have been strong this year and are being primarily driven by the "Magnificent 7" stocks. Passive investments have overtaken active managers and, by investing in passive investments, more money is invested in these few companies. At the beginning of the year, a federal funds rate cut was expected in March, current forecast is November. As for longer term rate expectations, 2.6% is not expected by 2025 anymore. With higher interest rates, the pension fund has moved more towards traditional investments (from 33% to 50% weight in domestic equities). Fund returns have lagged behind benchmark funds for the past couple of years, but ranking is improving.

Mr. Wan then reviewed the managers in the Plan. Scout has been on the watch list for the past year and the portfolio manager has announced his retirement. Market timing has been an issue for them. Transition to BNY Mellon Mid Cap Index is in process.

Mr. Wan noted that Vulcan has performed well this past year. However, Real Estate is a risk right now and they have a strong position in REITs. In addition, they were hired to invest in value-

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oriented stocks and they have been doing more growth-oriented and securities overlap needs to be considered.

GH&A is also on the watch list and did not perform well last quarter. They based their portfolio on the idea that interest rates would fall and missed on that prediction.

Mr. Wan then moved on to do a more detailed discussion on the peer universe. As plans are bigger, they want more alternative investments such as real estate but then they are stuck for 7-10 years. There is also a lag effect in the reporting. Private equity funds are borrowing from private debt at higher rates. There is a gravitational pull towards private lending with the banks pulling back.

Mr. Wan explained that Palm Tran is more similarly invested to the "All DB Plans" and "Taft Hartley" universes. The Palm Tran Fund had better performance due to it being invested more nimbly and able to react instead of being stuck in alternative investments. Mr. Mattingly suggested perhaps focusing on a different peer group, such as the State of Florida pension plans that are around the same size as Palm Tran. Mr. Wan will take this back and research available data.

Mr. Mattingly made a motion to sell \$3.3M the Fidelity Large Cap Growth Index Fund and \$3.3M the Vulcan Large Cap Value Fund and invest in the BNY Mellon Collective Investment Trust, based on the recommendation of Burgess Chambers. Mr. Rodriguez seconded the motion and the motion was approved by the Trustees 4-0.

CUSTODIAN REPORT: KAREN RUSSO (SALEM TRUST)

Karen Russo presented the claims report for securities class action claims filed between January 1, 2024 and March 31, 2024. There were no claims filed or paid during this time.

Ms. Russo informed the Board that there is nothing to report on the class action report.

Ms. Russo that the merger of TMI Holdings Inc., Salem's parent company, with Argent Financial Group, an independent fiduciary wealth management company based in Ruston, LA was final as of August 29 last year. Succession planning is in process.

Mr. Mattingly thanked Salem Trust for their consistency and efficiency in handling class action and payments.

Ms. Russo invited the Board to stop by Salem Trust's booth at the FPPTA conference.

AUDITOR REPORT: ALISON WESTER (MAULDIN & JENKINS)

Alison Wester presented to the Board the Audit Results and Required Communications for the year ending December 31, 2023. Mauldin & Jenkins issued an unmodified audit report ("clean opinion").

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Ms. Jenkins asked if the administrative expenses shown on page 27 are explicit fees. Ms. Wester confirmed that the fees shown on page 27 are the explicit fees and do not include any implicit fund expenses. Mr. Wan noted that page 18 of his report shows the (implicit) investment fees for the managed funds. Ms. Shah and Ms. Wester will work to draft some additional clarifying wording to add to Note 1. Mr. Mattingly suggested adding some language to the newsletter to say that the fund is being audited and everything is in order.

Mr. Rodriguez made a motion to approve the audit report and draft financial statements as of 12/31/2023, with additions to Note 1. Ms. Alleyne seconded the motion, and it was approved by the Trustees 4-0.

ACTUARY REPORT: CHAD LITTLE (FREIMAN LITTLE ACTUARIES)

Mr. Little presented to the Board the draft Actuarial Valuation as of January 1, 2024.

Page 1 indicates that the Employer Contribution remains consistent with last year, around \$6M. There was a small demographic gain and the plan population increased slightly. Market value of assets return was 10.55% while the return on the smoothed Actuarial Value of Assets (asset gains and losses are smoothed over a 5-year period) was 5.76%. The Funded Percentage is 88.53% (vs. 88.22% last year); this percentage is based on the Actuarial Value of Assets. The Assumed Rate of Investment Return is 7.00%, which is the same that was used for the 2023 actuarial valuation.

Page 4 shows there were no changes in Plan Provisions since the prior actuarial valuation. Mr. Little would like to discuss with the Board at the December meeting if they would like to change the rate of return. Organizations (Blackrock/JP Morgan/Horizon) do studies that should be available in December and will be helpful in evaluating the assumption for next year. The Plan Administrator will work on the letter to declare the rate of return for this year's valuation.

Page 9 shows the Low-Default-Risk Obligation Measure, which shows the supplementary calculation of the Plan's liability assuming the Plan's investments are invested in low-default-risk securities. The illustration shows that the Plan has created \$60M in value by investing in assets that provide a higher return.

Mr. Mattingly noted that the bus drivers are the highest concentration of participants in the Plan and they have a higher rate of turnover. Has this higher rate of turnover been reflected in the Plan assumptions? Mr. Little will research to see when the last experience review was done.

Mr. Rodriguez asked if the Plan is "healthy"? Mr. Little responded that as long as Palm Tran can make the contributions, it's healthy. Mr. Sugarman added that health is the ability and willingness of the Plan Sponsor to make the contributions.

Mr. Rodriguez made a motion to approve and adopt the Actuarial Valuation as of January 1, 2024, and to request that the Plan Administrator do the necessary filing with the County and State Ms. Alleyne seconded the motion, and it was approved by the Trustees 4-0.

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Mr. Rodriguez made a motion to set the Expected Rate of Return to 7.0% for the short-term, the mid-term, and the long-term. Ms. Alleyne seconded the motion, and it was approved by the Trustees 4-0.

ATTORNEY REPORT: BONNI JENSEN AND ROBERT SUGARMAN

Ms. Jensen discussed the filing logistics of filing the Form 1, now that the state law has changed. The deadline is still July 1, but the form must now be submitted electronically to the state instead of the county supervisor of elections. Palm Tran Board of Trustees were not provided access to the portal to do the filing. Ms. Jensen is working with the county coordinator to see why Palm Tran Pension Board is not on the list and Ms. Masters will reach out to Yvonne Wamsley (Agent Coordinator at Palm Beach County). If access to the portal is not granted before July 1, it is recommended that the Trustee print and fill out a 2023 version of the form and send "return receipt" with an explanation that they are unable to file electronically and that they are working to get it straightened out.

Ms. Jensen also discussed the IRS updates to the 2023 Instructions for Forms 1099-R and 5498 to help clarify tax reporting for disability payments.

Ms. Jensen then discussed the Policy on Return to Work after Retirement. The Plan cannot distribute pension payments to retirees unless they had a separation from service. In addition, retirees who are rehired will be asked to certify that they are either 1) working less than 24 hours per week or 2) they had a bona fide separation from employment and there was no pre-arranged agreement where they were planning to return to work. As part of this provision, the discrepancy between the plan document and the 2023 Collective Bargaining Agreement (CBA) was discussed. The plan document says that a person cannot work more than 24 hours a week as a part-time employee, but the CBA states that 26 hours per week is the maximum.

Mr. Mattingly made a motion to amend the plan document to be in compliance with the CBA, retroactive to the CBA's effective date. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 4-0.

And, finally, Ms. Jensen presented the draft updated SPD. Trustee information was updated and the process for filing for Retirement as well as a note that if an error is discovered, the error will be fixed. In addition, there was discussion around adding verbiage in the SPD to specify that a participant must comply with the Employer's exit procedures prior to receiving any payments or partial payments. Ms. Jensen will update the SPD and bring back for discussion at the next meeting.

ADMINISTRATOR REPORT: Mary Shah

Ms. Shah presented the quote for General Liability insurance with endorsement.

Mr. Mattingly made a motion to renew the General Liability policy. Mr. Rodriguez seconded the motion, and it was approved by the Trustees 4-0.

Ms. Shah presented the draft newsletter to the Board and asked for suggested edits/additions to it. Comments that will be incorporated into the final version of the newsletter: add the next meeting date and zoom login, add some information about the Plan audit as well as a slight adjustment to the description of the Plan's funded percentage. The newsletter will be delivered to the active participants in the Plan as part of other mailings but retirees will need a separate mailing.

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Mr. Rodriguez made a motion to approve the newsletter with changes. Ms. Alleyne seconded the motion, and it was approved by the Trustees 4-0.

PLAN FINANCIALS

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

Ms. Alleyne made a motion to ratify the Warrants through June 6th, seconded by Mr. Rodriguez, approved by the Trustees 4-0.

Mr. Rodriguez made a motion to approve the Benefit Approvals seconded by Ms. Alleyne approved by the Trustees 4-0.

BOARD COMMENTS

Mr. Mattingly noted that the FPPTA annual conference is coming up and this is the 40th anniversary. There is a special dinner and concert celebration event on Tuesday night that requires registration. The registration was previously closed, but has re-opened, so try to register again if you would like to attend and were previously rejected.

Mr. Mattingly also noted that the FPPTA offers a scholarship that will be awarded at the upcoming conference. Deadline to apply for this year has closed, but if interested, please look into applying for next year. In addition, the FPPTA has a relief fund for participants who may have fallen on hard times.

OTHER BUSINESS

There was no Other Business.

ADJOURNMENT

There being no further business and the next Quarterly Meeting being scheduled for Thursday, September 5, 2024. **Mr. Rodriguez made a motion to adjourn the Meeting at 1:55 PM, seconded by Ms. Alleyne, and approved by the Trustees 4-0.**


Secretary


Date