Chair Dwight Mattingly called the meeting to order at 8:30 AM at 3201 Electronics Way, West Palm Beach FL 33407. Those persons present included:

**TRUSTEES**

- Dwight Mattingly, Chair
- Frank Stanzionale
- Sean Smith
- Lisa Pontius

**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
- Claudette Gran, American Funds
- Brian Casey, Cohen & Steers
- Pharah Dutaille, Palm Tran

**APPROVAL OF THE AGENDA**

Frank Stanzionale made a motion to approve the Agenda, seconded by Sean Smith, and approved by the Trustees 4-0.

**PUBLIC COMMENT**

There was no public comment.

**APPROVAL OF THE MINUTES**

Sean Smith made a motion to approve the Minutes for the Quarterly Meeting of December 6, 2018. Frank Stanzionale seconded the motion, approved by the Trustees 4-0.

**INVESTMENT MANAGER: CLAUDETTE GRANT (AMERICAN FUNDS)**

Claudette Grant presented a review of the Europacific Growth Fund. The pension fund has $7.5 million invested in this fund. Capital Group manages the Europacific Growth fund and these securities are distributed through American Funds. Capital Group is a bottoms up manager, a stock picker.

The Europacific Growth Fund has holdings primarily outside of the U.S. except a nominal portion that may be held in U.S. dollars. Technology is a major theme of the fund and holdings include TSMC (smart device parts), Samsung, and Sony. Page 17 of the presentation lists the team and Carl Kawaja is the fund’s CIO. There are 11 different pools that are put together. This results in diversification within this investment.

Page 20 of the presentation shows fund results. Year-to-date return through February 2019 was 10.91% compared to a benchmark of 11.06%.
Page 21 of the presentation shows the attributes of the fund. The largest contributor is cash position. The next largest contributor are financials (India banks). The third largest contributor is Industrials.

Detractors from fund performance have been British tobacco (trimmed position), communication services – Nintendo (gaming internet), and materials – commodity and iron ore prices. Fund performance was in the top 39th percentile for the past year. Note that the pension fund has only been invested in the Europacific Growth Fund for a year. This fund replaced the Fisher investment fund.

Mr. Mattingly asked if American Funds has signed a document that they will not hurt defined benefit plans. Frank Wan will forward a document for American Funds to sign.

INVESTMENT MANAGER: BRIAN CASEY (COHEN&STEERS)

Brian Casey presented an overview of the Cohen & Steers Global Infrastructure fund. The pension trust has $1.0 million invested in this fund. Mr. Casey shared the company background and its goal to be a premiere real asset manager. He then discussed the competitive advantages of the Global Infrastructure fund. The fund has $6.2 billion in global listed infrastructure & MLP assets under management. Mr. Casey explained Cohen & Steers long standing partnerships with public institutions and Taft-Hartley clients. He gave a list of representative public fund clients.

Mr. Mattingly noted that future materials for the pension fund should include the union emblem.

Mr. Casey then presented the characteristics of global listed infrastructure: long-lived real assets, high barriers to entry, often regulated or concession-based, and inflation-linked pricing. Sectors include communications, midstream energy, transportation, and utilities. The predictable cash flow limits volatility and there is inflation protection because of price increases. The pension fund invested $900,000 on October 18, 2018 and since then the fund is up 5.6%.

Mr. Mattingly asked if there was overlap with MLPs. Frank Wan responded that there was not much overlap.

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

Frank Wan opened with remarks about the dip in the market which came out of fear. New iphone sales decreased and Apple said they would decrease sales forecast. Amazon only showed a profit of 1%. As a result, FANG stocks dropped 25%.

In December, Federal Reserve said they didn’t care about the stock market and would continue to increase interest rates 4 more times. This is an indicator of a slow economy.

By the end of December, fears subsided and the market was back up to the end of October levels. The pension fund did a little better than public plans and a little less favorable than the benchmarks.

JP Morgan says to expect a recession in the next 2 years. BCA is not necessarily seeing indicators yet. During first quarter, 68% of US companies have surpassed profit goals. If Germany and China
slow down, that could limit growth. The GDP is still expected to show positive growth even though less. The Federal Reserve has backed off the rate hikes. There may only be one increase.

Mr. Wan presented the fund’s fourth quarter performance. The pension fund experienced market-based loss of $8.8 million or -7.9% (-8.0% net), behind the benchmark (-6.0%) and the strategic benchmark (-7.0%). The best three performing assets were: Barings private real estate (+1.6%), Vanguard Total Bond Market (+1.6%) and GHA fixed income (+1.4%).

For the one-year period, the Fund was down $4.2 million, or -3.6% (-4.0% net), similar to the 35/15/50 benchmark (-3.7%) and the strategic benchmark (-3.5%). The best three performing assets were: Barings private real estate (+7.4%), cash equivalents (+1.7%) and GHA fixed income (+0.8%).

For the three-year period, the Fund earned $14.8 million or +5.8% (+5.3% net) per year, ahead of the 35/15/50 benchmark (+5.1%) and trailing the strategic benchmark (+6.0%).

For the five-year period, the Fund earned $18.6 million or +4.6% (+4.0% net) per year, similar to the 35/15/50 benchmark (+4.4%) and strategic benchmark (+4.9%). The 35/15/50 benchmark (35% R3000, 15% MSCI-ACWI, and 50% BC AGG) does not include convertible bonds, TIPS, MLP pipelines or private real estate; however, the strategic benchmark does.

Cash was a good performer with the current yield curve – inversion and making money. Cash is a little overweighted mostly because of securities generating dividends as of year-end. There is an intentional underweight in internationals because of the threat of trade wars. Infrastructure has a slight underweight. Across the board there is good diversification.

The Barings fund will be bearish going forward. When rates increase, profits go down because of fixed costs. However, there is the ability to increase prices.

Vulcan was a little disappointing since it didn’t protect asset performance, however, it did perform better than the benchmark. Scout was a disappointment for the quarter, however, it has performed better than the benchmark over the longer period. The Cohen & Steers global infrastructure fund performed better than its peers.

There is a concern about the riskiness of the MLPs. Consolidation has limited its growth.

Now that portfolio is over $100 million, pension fund is eligible to buy X144A. This impacts Advent and SSI. Recommend making a change to reflect in the Investment Policy Statement (IPS).

As US currency strengthens, international currencies/investments decrease. Question of how rapidly will US government implement tariffs. Hopefully tariff impact is negligible. There may be an opportunity for international investments since they are selling at a discount.

Mr. Mattingly asked for fixed income does fund investment in a product similar to a CD. Mr. Wan replied that cash at STC makes money market returns.

Mr. Wan remarked that the IPS allows cash investment allocation of 0%-0.5%. There is an overweight in cash due to dividends.
BCA is making the following recommendations:

1. Given the projections for interest rates and inflation, BCA recommends replacing TIPS with core bonds. Let GHA manage over 2 quarters. Other inflation hedges in the portfolio include private real estate and global infrastructure. 21 of 22 MLPs have been absorbed by parent company. Down to 50 securities to invest.
2. Based on recent consolidation, BCA recommends replacing MLPs with global listed infrastructure securities. Divest from JP Morgan Index to Cohen & Steers global listed infrastructure fund. Consider Westwood next quarter.

Mr. Wan presented a revised IPS with recommended changes highlighted in yellow:

1. Expansion of IPS to allow for up to 3% cash exposure for short term. Change range to 0%-3%. Mr. Wan commented that a cash allocation under 5% is considered fully invested.
2. Now that portfolio is over $100 million, pension fund is eligible to buy X144A. This impacts Advent and SSI. Recommend making a change to reflect in the IPS. Mr. Wan noted that revised IPS has to be filed with the State and County and the 144A changes won’t be effective until 31 days later.

Frank Stanzione made a motion to adopt the new IPS, seconded by Lisa Pontius, and approved by the Trustees 4-0.

Frank Stanzione made a motion to approve the Investment Consultant’s recommendations, seconded by Lisa Pontius, and approved by the Trustees 4-0.

Mr. Wan began discussing the Assumed Rate of Return analysis. BCA has update the ARR analysis through 12/31/2018. There has been a shift in the long-term statistics. BCA has the philosophy that one cannot predict the future and must rely on historical performance. JP Morgan and some other companies try to predict the future.

The 30-year column now shows an average return of 7.71%. This return was 8.3% on last year’s analysis. Page 4 of BCA’s analysis shows the likelihood of producing a 7.9% return. The State doesn’t like using 30-year averages as prediction indicators (6.10% for bonds and 9.98% for Russell 3000).

SSI sent a letter for the Board to approve their recent merger. BCA and the attorneys have reviewed the letter.

Sean Smith made a motion to sign the SSI assignment advisory agreement, Frank Stanzione seconded, approved by Trustees 4-0.

**ACTUARY REPORT: CHAD LITTLE**

Mr. Little discussed State’s rejection of the Assumed Rate of Return (ARR) of 8.0%.

The pension fund earning a -4.0% return for 2018 will make it more difficult to justify the ARR assumption (12% loss). BCA’s current justification is 7.71%.
Does the board want to resubmit the 7.9% assumption to the State? Having the ARR not State accepted could threaten the revenue sharing. The Letter will go to the County.

Mr. Mattingly asked if the board could put in an incremental change and show a decrease in the ARR assumption over a 5-year period. Mr. Little responded as the Actuary he must recommend using the best assumption which would not be incremental. However, some boards have implemented a trauched assumption. Mr. Little thinks the State would accept the board phasing down the assumption to 7.5% over 5 years.

Mr. Wan commented that FRS lowered the ARR to 7.4%. Lisa Pontius commented that it is better for the County to make the assumption change now. Mr. Little estimated that a 25 basis point decrease would increase annual contributions by $500,000. He also noted that next year’s contribution will be higher due to 2018 investment losses.

Mr. Little commented that 70% of plans have ARR 7% - 7.75% and 50% of plans have ARR 7% - 7.5%. Most common assumption is 7.5% (92 plans).

Lisa Pontius made a motion to complete the 2019 valuation with an ARR of 7.75%, Frank Stanzione seconded, approved by Trustees 4-0.

The Administrator is to send the State a response that the Board has approved a decrease in the ARR to 7.75% for the 2019 valuation and that the Board will continue to study the assumption. Mr. Little will send the Administrator a draft of the letter. Mr. Wan will send the updated analysis to the Administrator.

Mr. Little presented FLA’s fee proposal. The biggest change is the valuation fee from $9,000 to $16,000. Total increases are about $15,000, 20% increase. Last year’s charges (June to June) were $69,750.

Mr. Little showed a fee exhibit for a recent quote for a similarly sized plan. Actuarial valuation fees ranged from $16,500 to $35,000. He also noted that current fee has been in place since the late 1990’s.

Mr. Mattingly asked how much the increased state requirements are contributing to the increased fees. Mr. Little responded about 10%.

Frank Stanzione made a motion to approve the requested increase in FLA fees, Lisa Pontius seconded, approved by Trustees 3-1.

Mr. Little noted the fee engagement letter is separate from the contract. He will send a new fee engagement letter for the attorneys to approve. This letter can be signed at the next Board meeting.

Mr. Mattingly asked why the new charge for the 10-Year Certain and Life factors. Mr. Little said this was due to the generational table being used. A special calculation is required for each person. There is an annual charge to build a grid of these factors each year.
ATTORNEY REPORT: BONNI JENSEN

Bonni Jensen discussed Amendment #4. The County objected to the revised draft of the amendment which include a modification for unpaid time. Donna Raney believed this constituted a change in benefits and didn’t approved the amendment. Ms. Jensen presented the original version of the amendment which was approved by the County.

Any time members don’t contribute, they don’t get credit for unpaid time. Only count hours for paid time. Mr. Mattingly gave the following example: a participant is out for 7 months for workers compensation and they get paid for workers compensation, but there are no contributions.

Ms. Jensen replied that members have Section 5.4 for gaps due to disability and military leave. She noted the plan document currently has a conflict between Sections 1.22 and 5.4 and trying to clarify the list in Section 1.22.

Frank Stanzione made a motion to adopt the original version of Amendment #4, Sean Smith seconded, approved by Trustees 4-0.

The Actuary will need to present an impact statement for this amendment to the Board at the next meeting. The amendment can then be signed and submitted to the State.

Ms. Jensen presented the Division of Retirement Annual Report. Mr. Mattingly noted the headcount statistics are skewed to retirees since there are many closed plans.

Ms. Jensen reported the mileage rate for 2019 is $0.58.

Ms. Jensen presented the proposed bill about open meetings. If the bill passes, the following will need to happen:
- Materials will need to be filed with the County 3 days prior the meeting
- 2 on-site copies will be available for public attending meeting
- Meeting materials include materials presented as well as follow-up and post-meeting materials
- There needs to be a public participation form
- If there is a question from the public that cannot be answered, must include a response in the minutes and the date provided
- Can have an emergency meeting with 24 hours notice
- Clarified that each person from the public has 3 minutes to speak. This is reduced to 1 minute if 20 or more people

Mr. Mattingly suggested the Administrator coordinate with Sean Smith for posting materials with the County.

Ms. Jensen commented the PDF documents would need to be in compliance with ADA. This cannot be a scan of documents. She mentioned that charts aren’t easily converted. Adobe has a converter.
Ms. Jensen questioned disability applications and what information can be protected. She thinks that the bill will be passed.

Ms. Jensen brought up the difficulty of Power of Attorney (POA) process. Law is very specific on what a POA is allowed to do. It is more complicated if another state is involved. The plan has 30 days to respond. The Administrator should send the POA to the attorneys as soon as possible.

Ms. Jensen discussed the memo regarding Public Records Law. Ken Harrison said the Administrator should continue to redact the day of date of birth even though this was not specifically listed.

**ADMINISTRATOR REPORT: MARY SHAH**

Mary Shah presented the administrator’s report. Ms. Shah discussed a recent disability denial. The plan says that a “participant” can apply. What if the member is no longer a participant. What happens in situations where a refund of contribution has already been received?

It was agreed the when someone leaves the company because of health, if they don’t apply for disability retirement “soon after”, then not eligible. When a member leaves they should apply for disability at that time and not take another benefit.

Ms. Shah discussed the effort and progress involved in locating 20 participants/beneficiaries with potential benefits due. Ms. Shah also discussed the participants who are past their required minimum distribution date and the status of these participants.

Ms. Shah presented a summary of the non-vested terminations that took place in 2017 and 2018 and participants who have not taken their refund of contributions. She noted that some participants have small balances that could be forced out. The Board will consider a proposal at the next meeting to potentially force a lump sum payment for these participants.

Ms. Shah reported the 2018 administration activity for 2018.

Ms. Shah noted the public records request made by American Transparency for 2018 member data.

Ms. Shah presented the commercial general liability/auto policy renewal effective May 3, 2019 – May 3, 2020. The renewal is for $1,192 vs. $1,144 the prior year.

Frank Stanzione made a motion to approve the commercial general liability/auto policy renewal, Sean Smith seconded, Trustees approved 4-0.

Mr. Mattingly commented that he would like to make sure we communicate the timing of termination vs. commencement of retirement benefit within the checklist that was mentioned on page 5 of the minutes.
The Board requested the Administrator send the County a letter stating that they are not covered by a Commercial Crime policy like the Trustees. County employees wire employee and employer contributions to the trust.

Ms. Shah noted that the union portion of the employee contributions were caught up.

**PLAN FINANCIALS**

The Board did not have any questions on the Interim Financials or Warrants.

Sean Smith made a motion to receive and file the Interim Financials, Frank Stanzione seconded, approved by the Trustees 4-0.

Sean Smith made a motion to ratify the Warrants dated March 7, 2019, seconded by Frank Stanzione, and approved by the Trustees 4-0.

Frank Stanzione made a motion to approve the refund of contributions and final retirement benefits, Sean Smith seconded the motion, approved by the Trustees 4-0.

**BOARD COMMENTS**

The Board requested they be provided with the name of the Securities Monitoring firms and a Quarterly report.

Frank Stanzione requested that retirees be notified of the meetings. The meeting notices are being posted on the Palm Tran website. The next meeting is June 6th.

FPPTA is having their 35th annual conference and they are hosting a special dinner instead of the welcome gathering. There is an additional charge for guests and they must be pre-registered. The Plan cannot pay for guests. The conference is June 30 – July 3.

**ADJOURNMENT**

There being no further business and the next Quarterly Meeting has been scheduled for Thursday, June 6th, Frank Stanzione made a motion to adjourn the Meeting at 1:24 PM, seconded by Sean Smith, and approved by the Trustees 4-0.

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Secretary