Chair Dwight Mattingly called the meeting to order at 9:05 AM in Conference Rm: 1S-102 at 50 S Military Trail, West Palm Beach FL 33415. Those persons present included:

**TRUSTEES**
- Dwight Mattingly, Chair
- Frank Stanzione
- Sean Smith
- Lisa Pontius

**OTHERS PRESENT**
- Ken Harrison, Sugarman & Susskind
- Frank Wan, Burgess Chambers & Associates
- Chad Little, Freiman Little Actuaries
- Mary Shah, Strategic Benefits Advisors
- Pharah Dutaille, Palm Tran
- Curtis Jones, Palm Tran
- Betty Garrett, Palm Tran
- Donna Raney, Palm Beach County
- Dave Deverman, Retired Plan Member

**APPROVAL OF THE AGENDA**

Frank Stanzione 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**

Frank Stanzione made a motion to approve the Minutes for the Quarterly Meeting of September 6, 2018. Lisa Pontius seconded the motion, approved by the Trustees 4-0.

**INVESTMENT CONSULTANT: FRANK WAN (BURGESS CHAMBERS & ASSOCIATES)**

Frank Wan opened with remarks about the decline in 30-year treasury yields over time. Yields are currently around 3%. The Federal Reserve has increased short-term rates resulting in a fattening of the yield curve. A healthy government typically has a steeper yield curve. A flat yield curve means long-term bonds have similar yield as short-term bonds. As we move closer to an inverted yield curve, this could indicate a recession.

For the quarter, the market shrugged off noises. The Fund earned $2.8 million or +2.7% (+2.6% net), similar to the 35/15/50 benchmark (+2.6%) and strategic benchmark (+2.8%). The best five performing assets were: iShares Russell 1000 Growth (+9.1%), Scout Mid-Cap Core (+7.0%), iShares Russell 1000 Value (+5.6%), Vulcan Large Cap Value (+5.4%), and JPMorgan Alerian MLP Index (+5.4%).

The 1-year return is near target of 8%. Amazon and Netflix made up 50% of the upside. Overall market was relatively flat and needed to have exposure to those technology stocks.
Vulcan Large Cap has performed very well. It has outperformed large cap benchmarks. Since September 30th, the FANG technology stocks have decreased by 20%. Vulcan has had less of an impact. Scout has also outperformed its benchmarks.

The new Global Infrastructure asset performed +2.3% for the quarter and this hedge has proven favorable. Convertibles managed to edge out a gain for the quarter and compared favorably to traditional bonds. GHA has made money over the 1 year period (+0.4%) vs. overall bond market (-2.0%).

The US Dollar is up and this hurts international returns.

For the one-year period, the Fund earned $7.8 million, or +8.0% (+7.5% net), ahead of the 35/15/50 benchmark (+5.7%) and the strategic benchmark (+7.2%). The best three performing assets were: iShares Russell 1000 growth (+26.4%), Scout Mid Cap Core (+17.8%) and Vulcan Large Cap Value (+15.6%). Results have beaten the 8.0% actuarial assumption rate for the past two consecutive years, averaging +9.3% net per year.

For the three-year period, the Fund earned $25.5 million or +9.6% (+9.0% net) per year, ahead of the 35/15/50 benchmark (+8.1%) and in line with the strategic benchmark (+9.5%).

For the five-year period, the Fund earned $30.9 million or +7.3% (+6.7% net) per year, ahead of the 35/15/50 benchmark (+6.5%) and in line with the strategic benchmark (+7.4%).

Mr. Mattingly asked about 1.2% weight in cash 1.0% target allocation. Mr. Wan said this was not a concern and was fluctuation due to timing of cash flows.

Mr. Wan presented index fund recommendations. Views have changed about passive investment providers. Fidelity has decided to go to war and reduced their index fund fees by 50%. Mr. Wan attached a handout of the fee reductions and this would save the fund $53 million in annual fees.

Mr. Wan recommended moving to the Fidelity index funds.

Ken Harrison said there would be no impact to the investment policy. There was a question if this would impact diversification since the same company would be used for all index funds. Mr. Wan indicated that the asset class mix and strategy would remain the same and not impact diversification.

Frank Stanzione made a motion to approve the Investment Consultant’s report and accept the Investment Consultant’s recommendation, seconded by Sean Smith, and approved by the Trustees 4-0.

Mr. Wan indicated that the index funds will move in tranches and not all $40 million at once.

**ACTUARY REPORT: CHAD LITTLE**

Mr. Little discussed the Assumed Rate of Return (ARR) of 8%. He discussed the market outlook. He explained the arithmetic average or mean is simply adding and taking the average of returns. The geometric average or median means that 50% of the results will be above and below the median return.
The Horizon actuarial survey reports several benchmark returns. For a period 20 years or longer, mean return of 5.2%, geometric median of 4.5%. For 10-15 year horizon based on JP Morgan benchmark, mean return of 7.0% and geometric median of 6.3%. Mr. Little indicates that 6.3% should be the upper end of the ARR assumption. He will include a statement in the report that the actuary does not agree with the assumption.

Mr. Little presented facts for Andre Robinson. Mr. Robinson was hired in 1999, left in 2006, reinstated in 2007, terminated in 2010, reinstated 2011, terminated 2018. He has filed for disability. Mr. Robinson doesn’t ever meet the break in service, however, he was paid a Refund of Contribution in 2011. There is no evidence that Mr. Robinson repaid the ROC. There is a post-it note in his file with “buy back.”

Mr. Robinson has filed for disability and his second period of service after the ROC is less than 10 years. He would be treated as a vested termination for his first period of service. Should his two periods of service be treated together or separately?

Mr. Mattingly asked why he was terminated and rehired. Was it disciplinary? Mr. Little sees that there was 2010 arbitration and he was reinstated. What happened in the first period? Was the participant notified that he owes the Fund the ROC?

Since he was reinstated for the second period, Mr. Robinson would have more than 10 years of service and be eligible for disability. He owes the plan the ROC with interest. He will be due the total ROC minus the ROC paid with interest. To the extent he owes additional money, the residual amount can be offset from his ongoing payment.

Documentation of Mr. Robinson’s arbitration should be requested from HR for both awards. If documentation confirms service was reinstated, Mr. Little should calculate the benefit based on all service and then subtract the amounts owed with interest.

ATTORNEY REPORT: KEN HARRISON

Ken Harrison presented the Salem Trust amended fee agreement. The class action fee was already approved at the June 7, 2018 Board Meeting. This agreement includes the global tax provisions as well.

Sean Smith made a motion to approve and execute the Salem Trust amended fee agreement, Frank Stanzione seconded, approved by Trustees 4-0.

Mr. Harrison presented the Salem Trust SOC1 report.

Frank Stanzione made a motion to approve and accept the Salem Trust SOC1, Sean Smith seconded, approved by Trustees 4-0.

Mr. Harrison presented the updated Special Tax Notice with the new language from the IRS.
Frank Stanzione made a motion to approve and accept the IRS tax notice, Sean Smith seconded, approved by Trustees 4-0.

Mr. Harrison presented the resolution to name Mary Shah as the Records Management Liaison Officer (RMLO).

Sean Smith made a motion to approve the resolution with the appropriate resolution number, Frank Stanzione seconded, approved by Trustees 4-0.

Amendment #4 was presented at the last Board meeting. Mr. Harrison clarified Amendment #4 as the Board directed at the September 6, 2018 Meeting. Mr. Harrison and Ms. Bonni Jensen believe that the Board has the authority to make this change since benefits are not being changed.

Donna Raney, the attorney from the County, believes there is a change in benefit and believes that any change in benefits needs to be approved by the County Board of Commissioners. Section 1.2 is not a substantive change. However, the revised version after the September 6, 2018 meeting makes changes to unpaid time. Ms. Raney believes this is a substantive change.

Mr. Harrison showed the Board the changed version. Ms. Raney’s concern is with unpaid time. There was a discussion of what unpaid time means.

There was a consensus to go back to the September 6, 2018 Board Meeting version of amendment #4. Mr. Little suggested to defer the discussion to the next meeting when Ms. Jensen would be present. Both versions of the amendment can be discussed.

Frank Stanzione made a motion to table the discussion of amendment #4 until the March 7, 2019 Board Meeting, seconded by Sean Smith, approved by Trustees 4-0.

Mr. Harrison gave the legislative update. He is not aware of any refiled bills in the upcoming legislative session. He did discuss the tax law change. Alimony is no longer deductible. This may impact who gets the W9 form.

Mr. Mattingly asked about the IRS determination letter. Mr. Harrison explained that as of now, the IRS is not issuing determination letters. There is some talk about when this may start up again. The 5-year cycle was a big burden for the IRS.

ADMINISTRATOR REPORT: MARY SHAH

Mary Shah presented the administrator’s report. Ms. Shah discussed some recent overpayment situations – examples where the estimated payment based on the last statement benefit is less than the actual benefit. Situations occur when the optional form of payment reduction is higher than anticipated. Recent situations include a single participant electing a certain and continuous option and a married participant with a younger spouse electing a 100% joint & survivor annuity.

Ms. Shah explained what the benefit payment policy says about the timing of disability retirement for members who approved for Social Security Disability benefits. Three disability retirements have commenced since the approval of the Statement of Policy Regarding Benefit Payments (“Benefit
Payment Policy” or “BPP”) on June 23, 2016. Section III(b) of the Benefit Payment Policy states that, “Disability benefits will commence the first of the month following the submission of a completed disability application, verification of termination, and the receipt of proof of Social Security Disability benefits.” It further states that, “This benefit will be ratified by the Board of Trustees at the next regularly scheduled meeting of the Board.” These three disability retirements did not commence according to the timing outlined in the Benefit Payment Policy; therefore, the benefit commencement dates have since been revised and retro payments issued per instruction from the Plan’s attorney Bonni Jensen.

Ms. Shah discussed the timing of retirement related to a member’s termination date. While the Plan Document indicates that a participant may not commence benefits until the first of the month following termination, it has been past administrative practice to allow participants to terminate the first of the month and commence pension benefits effective that day. There may have been some uncertainty what was the actual last day worked. Going forward SBA has instructed Palm Tran HR that participants will not be able to commence pension benefits until the first of the month following termination (i.e. if someone works any day in the month they will not be able to start their pension until the first of the following month). SBA is also working with Palm Tran HR to make sure that the Termination Report they provide reflects the employee’s last day of work.

Mr. Mattingly suggested adding the timing of payment of retirement benefits to a checklist for the member. This item would explain that both the termination date and the date of the retirement application will determine the participant’s retirement date and the timing of payments.

Pharah Dutaille from Palm Tran HR asked that SBA give her detail of the documentation for the member’s last day worked that is needed.

Ms. Shah explained that medical coverage for a member does not automatically stop at age 65. This direction should come from Palm Tran. Ms. Dutaille confirmed that Palm Tran gives this direction.

Ms. Shah presented the audit engagement letter from Cherry Beckaert for renewal. Mr. Mattingly noted that Cherry Beckaert is a big player in the public arena with 3/31 as a hard deadline for many plans. Mr. Harrison recommends that if Cherry Beckaert is not performing in March, the Board should put on notice for a RFP.

Sean Smith made a motion to engage Cherry Beckaert, seconded by Frank Stanzione, approved by Trustees 4-0.

Ms. Shah presented the annual membership renewals for FPPTA, IFEBP, and NCPERS.

Frank Stanzione made a motion to approve the membership renewals with updated contact information, seconded by Sean Smith, approved by Trustees 4-0.

Ms. Shah presented the updated union contribution analysis that was presented at the September 6, 2018 Board Meeting. This analysis includes an update for the overpayment for April 2018 (made twice).
Ms. Shah noted the public records request made by Financial Investment News for recent quarterly Investment reports.

Ms. Shah presented the proposed schedule for the 2019 Meeting Dates.

Sean Smith made a motion to approve the meeting dates, Frank Stanzione seconded, approved by Trustees 4-0.

Ms. Shah brought up scheduling Investment Managers to present at Board Meetings during 2019. Mr. Wan agreed to schedule 2 presentations for each Board Meeting.

Mr. Mattingly brought up reviewing a schedule to review providers. The Actuary, Administrator, and Ms. Jensen were reviewed in 2017. The auditor is reviewed annually. Ms. Shah and Mr. Harrison will review dates for the review of engagements for Mr. Harrison, Burgess Chambers & Associates, and Salem Trust.

**PLAN FINANCIALS**

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

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

Frank Stanzione made a motion to ratify the Warrants dated December 6, 2018, seconded by Lisa Pontius, and approved by the Trustees 4-0.

Mr. Harrison asked if a tax notice was given for a Refund of Contribution and Ms. Shah responded yes.

Mr. Harrison suggested SBA provide a summary of benefit approvals and the Board would just approve and sign the summary.

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

**BOARD COMMENTS**

Mr. Stanzione asked if member retires, can they change their benefit election. Response was that once one makes an election it cannot be changed except if they get divorced. Then must treat as if the spouse died unless the member files for a new beneficiary listing the ex-spouse as the new beneficiary.
ADJOURNMENT

There being no further business and the next Quarterly Meeting has been scheduled for Thursday, March 7th, Frank Stanzione made a motion to adjourn the Meeting at 12:33 PM, seconded by Sean Smith, and approved by the Trustees 4-0.

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Secretary