

City of Fort Myers General Employees' Retirement System

Minutes: Meeting of June 20, 2012

1. CALL TO ORDER

Chairperson Barbara Carlson called a meeting of the Board of Trustees for the Fort Myers General Employees' Retirement System to order at 9:00 AM. Ms. Carlson called roll. Those persons present included:

<u>TRUSTEES</u>	<u>OTHERS</u>
Barbara Carlson, Chair	Scott Baur & Pam Nolan, The Pension Resource Center
Richard Griep, Secretary	Scott Christensen, Christensen & Dehner
William Mitchell	Tim Nash & Jill Lucas, The Bogdahn Group
Donna Lovejoy	Debra Emerson, City of Fort Myers
Tom O'Malley	Mike Seagle, City of Fort Myers
	Holly Simone, City of Fort Myers

2. APPROVAL OF May 16, 2012 MEETING MINUTES

Richard Griep made a motion to approve the Minutes for the meeting of May 16, 2012, Tom O'Malley seconded. Motion carried by the Trustees 5-0.

3. INVESTMENT PERFORMANCE AND REVIEW

a. Quarter End March 31, 2012

Tim Nash introduced Jill Lucas, Controller for The Bogdahn Group to the Board. Jill will be producing the Flash reports requested by the board to give visibility of the fund's performance on a monthly basis.

Tim Nash reported that the market was down in May, but the plan performed well overall. He noted EAFE and emerging markets were up as of March 31, 2012. Domestic Equities also had 15.9% positive return for the quarter. Bonds had positive returns except for US Treasuries which fell by -1.3% for the quarter. Galliard performed well due to an underweight position in Treasuries.

The portfolio has two growth and two value managers; growth outperformed value for the first time in several years. Tim Nash then reported the portfolio grew overall from \$65,156,324 as of December 31, 2011 to \$71,178,260 as of March 31, 2012. At that time, the plan had about 56.1% in equities, 34% in fixed income 4.1% in Real Estate and 5.8% in cash. Tim Nash explained the plan received City contributions as of December 31, 2011 and the custodian (Comerica) then systematically deployed that cash to the manager accounts holding aside sufficient cash to make pension payments and other disbursements. Donna Lovejoy noted that distributions from the plan would have exceeded contributions if the plan had not had sufficient investment return

Tim Nash reported that the portfolio returned 9.31% for the quarter, net of investment fees, compared to the 7.87% benchmark, ranking the fund in the top 12th percent of the comparison universe. For the fiscal year, the portfolio returned 15.17% compared to 15.41% for the index (benchmark) in the top 38th percentile of the comparison universe. Tim Nash reported that both the equity and fixed income portfolios had strong returns for

the quarter, with only the Morgan Stanley Real Estate portfolio having below average returns for the period.

Tim Nash explained recent portfolio changes, which included the transition from Atalanta Sosnoff to Wells Capital Management, an independent subsidiary of Wells Fargo. He then explained how the S&P 500 Index is composed, as well as how the various other benchmarks are determined. Tim Nash discussed the various managed portfolios and explained the composition of the Morgan Stanley Real Estate portfolio in detail. The Real Estate portfolio is valued only quarterly as appraisals are done on individual property holdings on a rotation.

The Trustees discussed the current earnings assumption rate of 8.4%. The Board plans to systematically lower the assumption, which Tim advised was still on the high side for the public pension universe. Tim Nash recommended a target assumption rate of 7.75% or 8%. The Board discussed the investment earnings assumptions at length. The effect of each 1% decrease in earnings on the plan overall was discussed. Mr. Mitchell brought up the outside study to review payroll contributions to the pension commissioned by the City in January 2011. This study was reviewed by the Board in earlier meetings.

Mr. Mitchell discussed the current state of bargaining since stalled negotiations in pension preclude the city from making other adjustments to payroll.

Scott Christiansen advised the Board has no role in negotiating benefits, but the Board does determine the earnings assumption used by the plan.

b. Monthly Performance Review

Tim Nash provided a return update through May 31, 2012 which Jill Lucas will provide monthly around the 15th of each month. For the quarter through May 31, 2012 the portfolio lost -5.26%, however, the plan still has a 5.12% return for the fiscal year. Tim Nash will email the flash report to PRC monthly.

c. Investment Policy Statement

Tim Nash handed out the current investment policy statement adopted by the Board with all addendums signed by each investment manager. Tim Nash noted that the Bogdahn Group works only for a flat fee retainer with no earnings related to the plan or any other source. Bogdahn does not have any fiduciary discretionary control over managers.

d. Investment Rate Assumption

The Board resolved to wait for Foster & Foster to provide impact information on any changes that may come out of the union negotiations currently underway before making any further changes to the investment rate assumption. This will be added to the agenda for July/August/September, pending the outcome of bargaining. Donna Lovejoy asked when the Board must change the earnings assumption. Scott Baur stated that the Board should change the assumption before September 30, 2012 for the actuary to use a different rate in the next annual actuarial valuation.

4. ATTORNEY REPORT

Scott Christiansen reminded the Trustees to file annual financial disclosure forms; the deadline for filing is July 1, 2012.

Revised Operating Rules and Procedures completed by Mr. Christiansen reflecting multiple updates made by the Board over the last few meetings were provided in the meeting packet.

Scott Christiansen will provide information on a class action monitoring firm, Kessler, that offers a free service to monitor portfolio and file claims on behalf of the plan. He noted that since there was no cost to the plan, there was no downside to the Board engaging the service.

There was no pension legislation, but a bill 2012-148 passed and it could impact plan recipients. The bill imposes additional requirements on beneficiary designations. A group of attorneys have petitioned the State Attorney General on the grounds that the bill is unconstitutional (potential violation of contract law). The requirement from the bill that affects the Administrator is to investigate any marital status change after retirement.

Old salary ordinance - ability to buy back after refunded. Status unclear; PRC to pursue and report findings to Board

The Board again discussed the role of Trustees. Donna Lovejoy requested Scott Christiansen to advise on the appropriate role of Trustees. For instance, Mr. Mitchell voiced opinions on union negotiation's effect on the City payroll (and therefore pension contributions) but the Board does not have any role in union negotiations.

Lastly, the state has issued a change to the requirements for calculating city contributions to pension plans. Originally the City had to contribute a fixed dollar amount to the plan, then the requirement was changed to the City contributing a percentage of payroll to the plan. This most recent legislation allows the City to use either a fixed dollar amount OR a percentage of payroll to determine the amount to be contributed to the plan. Now the Board can make the choice of which method to use.

5. ADMINISTRATOR REPORT

a. Foster June 4, 2012 Update

The Board reviewed Foster and Foster's letter of June 4, 2012 regarding impact to the plan from the proposed changes in benefit tiers in the current agreement under negotiation between the City and the Union.

b. Business Associate Agreement

Scott Baur reported on the Business Associate Agreement submitted to the City in early 2012. At that time Connie Gleason, Ft Myers Human Resources Director, thought pension administrators may need vetting as pension information may fall under HIPAA

rules. Mr. Mitchell will review the agreement and finalize with Ms. Gleason; however, the general consensus is that pension information does not contain any information specific to people's health information.

c. Onsite Staffing

Mr. Mitchell received feedback from HR that they were seeing a decline in the number of visits and inquiries regarding the pension plan. Scott Baur reiterated that the Cape Coral office was handling phone and email inquiries and a few in person visits.

The Board requested PRC to re-send the "PRC is now the Administrator" letters to all retirees that were previously sent when administration of the plan was transitioned to PRC in December 2011.

- William Mitchell left the meeting at 11:05 am -

The Board resolved that no onsite staffing was needed at this time.

Richard Griep reiterated that the Board should consider any request that affects PRC's contract with the Board. He asked how mailing costs are handled. Scott Baur said that mass mailing costs would be passed through to the Plan according to the contract. He felt that the mailing for the retirees was negligible, however, and would not be passed on.

Annual Disability Review

Pam Nolan updated the Board on the Annual Disability Review. Three individuals receiving a disability pension were determined to be under the age of 62; one was disabled due to a hereditary disease; the Board did not require review of this individual. Of the remaining two, one was also receiving Social Security Disability. Scott Christiansen verified that this person still needs to participate in the review. PRC will initiate the review with the two eligible disability recipients.

Data from City

Scott Baur advised the Board that the data setup was still in progress largely due to complications in arriving at complete payroll history data. PRC and the City are collaborating on completing this last step in the transition. This was part of the original contract. There is still some outstanding programming work that will be billed after the data is received and loaded. Richard Griep asked if costs were under or over the contract estimate? Scott Baur reported they were under.

Updated Operating Rules and Procedures

Pam Nolan requested the Trustees retain the copy received in this meeting packet and bring them to meetings for future reference, as they are costly to reproduce for meeting packets where discussion is required.

6. PLAN FINANCIALS

a. Interim Financial Statement

The Board reviewed the Balance Sheet and Statement of Income and Expense provided by The Pension Resource Center for May 2012.

b. Warrant Dated June 20, 2012

Donna Lovejoy questioned a large refund to one individual. Scott Baur advised that in addition to length of service, the contributions could also be affected by tier selection and pay rate. Ms. Lovejoy asked whether a vested person could be advised that it could be in their best interest to leave their money in the plan? Scott Baur reported that PRC cannot give financial advice; the individual is advised of all options, but has the final decision.

Richard Griep made a motion to approve the Warrant as submitted. Barbara Carlson seconded. Motion carried 5-0.

c. Benefit Approvals

Richard Griep made a motion to approve the Benefit Approvals as submitted. Donna Lovejoy seconded. Motion carried 5-0.

7. OLD BUSINESS

Schedule Investment Review closer to end of Quarter

The Board discussed moving the quarterly investment review schedule to try to more closely correspond to the actual close of the quarter. Tim Nash will be able to attend the August and November meeting; this does present a schedule conflict with Scott Christiansen being able to attend. Richard Griep commented that he feels there is value in Scott Christiansen being present for the investment reviews. Scott Christiansen will review his schedule. He suggested the Board may consider coordinating with the Police pension meeting in future. This item will be put on the agenda for the next Board meeting for further consideration.

8. NEW BUSINESS

Richard Griep had an inquiry from SEI regarding providing their services to the Board; the Board passed on engaging them.

10. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular monthly meeting on Wednesday, July 18, 2012 at 9:00 am.

11. ADJOURNMENT

There being no further business, the meeting was adjourned at 11:25 AM, by unanimous agreement of the Trustees.

Respectfully submitted,

Richard Griep, Secretary