

City of Fort Myers General Employees' Retirement System

Minutes: Meeting of August 15, 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:

TRUSTEES

Barbara Carlson, Chair
Richard Griep, Secretary
William Mitchell (9:25 am)
Donna Lovejoy
Tom O'Malley
Dennis Pearlman (arrived 9:40 am)
Eloise Pennington

OTHERS

Pam Nolan, The Pension Resource Center
Tim Nash, The Bogdahn Group
Patrick Donlan, Foster & Foster
Scott Chistiansen, Chistiansen & Dehner (phone)
Debra Emerson, City of Fort Myers
Mike Seagle, City of Fort Myers
Holly Simone, City of Fort Myers
Christine McDade, City of Fort Myers

Ms. Carlson called the Board's attention to the revised Agenda (added Actuary/Attorney comment on 8-13-12 Ordinance change - 1.8% multiplier) for the meeting.

2. APPROVAL OF JUNE 20, 2012 and JULY 18, 2012 MEETING MINUTES

Eloise Pennington made a motion to approve the Minutes as submitted for the meeting of July 18, 2012; Richard Griep seconded. Motion carried by the Trustees 5-0.

Eloise Pennington made a motion to approve the revised Minutes for the meeting of June 20, 2012 as submitted; Tom O'Malley seconded. Motion carried by the Trustees 5-0.

3. ACTUARY/ATTORNEY COMMENT ON 8-13-12 ORDINANCE CHANGE - 1.8% MULTIPLIER

Attorney Scott Chistiansen joined the meeting by phone. Patrick Donlan and Scott Chistiansen reviewed the impact of the new 1.8% multiplier with the Board. The previous analysis of the changes had been based on a 1.6% increase. There is a favorable impact to the participants in the top two tiers from the increase to 1.8%. The ordinance states all tiers be re-evaluated every three years and this is now the third year. The Board noted that this should be done after the 45 day election period to arrive at the best evaluation of the plan.

William Mitchell joined the meeting 9:25 am. Discussion affirmed that the 1.8% multiplier will remain fixed and any change will be based on employee selection of what contribution they will make to the plan to determine their future benefit.

Dennis Perlman joined the meeting at approximately 9:40 am. Discussion centered around the impact on the plan depending on how many participants elect to 'pay up' and tier selection. The re-evaluation of the contribution rates on all tiers and rate categories will need to be done on the three year cycle.

Eloise Pennington made a motion that the tier 1 A & B contribution remain the same; only re-evaluate Tiers 2, 3, & 4, Rate A & B every three years. Donna Lovejoy seconded the motion for discussion. Dennis Perlman seconded the motion after discussion. Motion carried 7-0.

The Board, Mr. Donlan and Mr. Chistiansen discussed the changes resulting from the 1.8% multiplier change in the ordinance:

- 1) Update proposed language in the ordinance to include "All tiers and contribution rates except Tier 1/A shall be re-calculated by the plan's Actuary following the close of the 45 day election period."
- 2) Change all '1.6%' to '1.8%'.
- 3) Change the Benefit Election form to reflect the rate A & B for each tier.
- 4) Once 45 day period closes, Actuary to prepare new chart to be included in the Ordinance.

Donna Lovejoy made a motion that the Attorney and Actuary take the recommended action above to implement the changes to the ordinance. Tom O'Malley seconded the motion. Motion carried by the Trustees 7-0.

Scott Chistiansen noted that the changes being made in the Ordinance will also need to be reflected in the Union contract when they are ready. In the meantime, ballpark numbers (Patrick Donlan to supply exact percentages to Scott Chistiansen) will be used until the final numbers are ready to be included in the contract.

Eloise Pennington requested a status on the outstanding ordinance change to allow buyback of airtime within 60 days of retirement. Discussion ensued as to this being between the Union and the City-- status is that this is still a standing recommendation and may be included in the next round of Union negotiations.

Richard Griep questioned the extent that Scott Chistiansen is involved in Union contract negotiations. It was clarified that Mr. Chistiansen is operating on the Board's behalf with the City's attorney to ensure the union contract language is consistent with the pension plan language.

The Board chose to address the Avoidance of Benefits Overpayment memo to the Board from Mr. Chistiansen with Patrick Donlan's input at this time in the meeting. Mr. Donlan related that Foster & Foster reviews benefit payments two times a year; when the annual plan evaluation is done, and when the annual COLA adjustments are determined. Foster & Foster reviews the benefit paid by the custodian in these reviews. Comerica's monthly death audit and practices around benefit change dates also contribute to the due diligence recommended by Mr. Chistiansen in the memo. Dennis Pearlman asked Scott Chistiansen if these practices adequately met the recommendation of the memo? Mr. Chistiansen said they did with the final review by

PRC of the Comerica report to the retiree records. Pam Nolan will recap the results of this review to the Board once the retiree records have been received from the City.

10:22 am Scott Chistiansen left the meeting.

Patrick Donlan reviewed the recent legislation by the State to allow City contributions to be expressed as a flat dollar amount or a percentage. Foster & Foster sent a memo to all plans regarding impacts of either option. Currently, the City of Ft Myers is using a percentage of actual payroll. The board discussed which is the most favorable method. Mike Seagle recommended staying with the percentage as it was slightly easier to work with and any positive or negative impacts would smooth out over time.

Richard Griep made a motion to recommend that the City continue with the percentage method. Barbara Carson seconded. Motion carried 7-0.

Patrick Donlan asked the Board to clarify when the six month period to buy back time starts and stops. He explained that he uses the date he receives the request for the calculation. The board resolved that since there is little impact from a few weeks delay at most to complete the calculation, the date the person is notified should be the start of the six month period and that this date should be noted in the letter from Foster & Foster to the requestor.

10:39 am Patrick Donlan left the meeting.

4. INVESTMENT PERFORMANCE AND REVIEW

a. Quarterly Report

Tim Nash reported that the plan had a fiscal year to date performance of a 12.64% with \$71,317,761 as of July 31, 2012, though the last quarter was not a positive quarter. In looking at the market performance for the second quarter of 2012, Tim noted that the fund performed slightly under at -3.06% versus -1.84% benchmark performance for the quarter. This was largely due to poor returns in the domestic and international equity markets, which exceeded the positive performance of the bond and real estate sectors of the portfolio. As of June 31, 2012, the fund had an 11.91% rate of return, which is slightly under the target of 12.85%. The fund is ranked 57th out of the 400+ funds in this category in the US, also fiscal year to date.

Mr. Nash explained a lot of the mechanics of the fund; how fees are applied, how it differs from a deferred compensation plan, use of index funds when re-aligning to the investment policy, how Bogdahn uses indexes as benchmarks, and a national pension plan database to evaluate the plan's performance over time. Mr. Nash detailed Bogdahn's role in monitoring and selecting managers to be evaluated by the Board.

Mr. Nash then reviewed the performance of the individual investment managers for the quarter. In looking at the Compliance Checklist, Mr. Nash cited impacts of Atalanta Sosnoff's poor performance in the three year period and believes that the change to Wells Capital Management should bring positive results over the years.

b. Meeting schedule for Quarterly Investment Review

The Board considered changing when the quarterly investment review should be done in 2013 and resolved to continue with May, August, November and February as they are now getting a monthly Flash report and won't change away from Tim Nash's scheduled availability for the review.

Dennis Pearlman left the meeting at 12:10 PM.

5. ADMINISTRATOR REPORT

a. Trustee School October 7 - 10, 2012 Bonita Springs, FL

b. Avoidance of Benefit Overpayment - discussed in Attorney/Actuary section

c. Annual Disability Review

Pam Nolan advised the Board that the two individuals who qualified for the review responded with the requested affidavit and physician's report within the required time period.

d. Data from City

PRC continues to work with the City's payroll, IT and HR on obtaining the data from the City. Progress is being made and we are very close to having this issue resolved.

e. Link to PRC webpage for plan

The City's IT area has created a link to the PRC page for the plan on the City's internal site and will work on a link for the City's external website.

6. PLAN FINANCIALS

a. Interim Financial Statements

The Board reviewed the Income Statement and Balance Sheet for the plan.

b. Benefit Approvals

Eloise Pennington made a motion to approve the Benefit Approvals as submitted. Donna Lovejoy seconded. Motion carried 6-0.

c. Warrant dated August 15, 2012

Eloise Pennington made a motion to approve the Warrant as submitted. Richard Griep seconded. Motion carried 6-0.

7. OLD BUSINESS

8. NEW BUSINESS

9. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular monthly meeting on Wednesday, September 19, 2012 at 9:00 am.

10. ADJOURNMENT

There being no further business, a motion was made by Eloise Pennington to adjourn and seconded by Richard Griep. Motion carried 6-0.

The meeting was adjourned at 12:19 PM,

Respectfully submitted,

Richard Griep, Secretary