

City of Fort Myers General Employees' Retirement System

Minutes: Meeting of October 17, 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
Tom O'Malley (9:20 am)
Donna Lovejoy
Eloise Pennington

OTHERS

Pam Nolan, The Pension Resource Center
Debra Emerson, City of Fort Myers
Mike Seagle, City of Fort Myers
Holly Simone, City of Fort Myers
Maria Joyner, City of Fort Myers

2. APPROVAL OF SEPTEMBER 19, 2012 MEETING MINUTES

Mr. Mitchell requested the minutes be amended to quote him more accurately. Ms. Carlson pointed out that fiduciary responsibility to the plan is the prime concern; experience counts as well, but the Trustees are responsible to the plan participants for administration of the plan. Mr. Mitchell added that the Board is here to protect and promote the interests of the plan; the nuances as to what that involves is what was being discussed with Scott Christiansen. It would be negligent to NOT consider the City and its ability to reliably fund the plan. He suggests that meetings be recorded as they are too important to rely on paraphrasing. The Board needs the opportunity to refer to verbatim proceedings.

All present agreed that all future meetings should be recorded.

Ms. Pennington noted that concerns still exist from what she heard at the last meeting and requested Pam Nolan to ensure Scott Christiansen attend the next meeting.

Discussion ensued regarding the rate of return for the plan. Ms. Lovejoy noted that last year the Board did not lower the rate of return out of concern that the City could not handle a lower return rate and this many not have been best for the plan. Mr. Mitchell pointed out that the City would only have to pay the difference if the rate of return is not met, that the assumption is only a projection. Ms. Lovejoy noted that the concern had been that the City would have had to pay more into the plan if the rate of return was lowered. It may now be the case that real costs of the plan could be obscured. Mr. Griep brought up what the FPPTA classes covered; that the assumption rate is to help determine plan health into the future and it was for use in actuarial calculation. Many assumptions go into determining what the City has to pay and the City's portion is initially projected for budgeting purposes. If the plan return is higher than the assumption, the City pays less. Mr. Mitchell commented that responsible actuaries say pension boards owe it to their members to have the most accurate rate of return. Mr. Griep noted that 8% was acceptable in the past as the plan was getting double digit returns; now it would probably be good to lower the expected rate of return.

The Board will address the plan's rate of return at the next meeting when the Investment Consultant, Actuary and Attorney will be present.

Richard Griep made a motion to approve the Minutes as amended (pg. 4 - to "...he always considers the interest of..." submitted for the meeting of September 17, 2012. Barbara Carlson seconded. Motion carried by the Trustees 5-0.

Trustee Tom O'Malley joined the meeting at 9:25 am.

3. INVESTMENT PERFORMANCE REVIEW

The Board reviewed the Monthly Asset Allocation and Performance review as of September 30, 2012 provided by The Bogdahn Group. The fiscal year to date return of the fund was 16.73%; total assets \$73,123,905. This up from August 31, 2012 FYTD return of 14.09%; total assets \$71,426,628.

The Trustees again noted that Manning & Napier's performance and the overall balance of the portfolio should be examined at the next meeting that the Investment Consultant is present.

4. ADMINISTRATOR REPORT

a. 2013 Proposed Meeting Calendar

The Board reviewed the proposed meeting calendar for 2013. They considered the possibility of changing the quarterly meeting date & time to coincide with Scott Christiansen's availability in Ft. Myers on the first Thursday of the month, but resolved to keep the quarterly meeting on the third Wednesday of the quarter and combine the Attorney report with the Investment Consultant's quarterly report at the quarterly meeting.

After further discussion of the value of monthly meetings versus quarterly meetings, the Board resolved to drop the monthly meeting for the first month of each calendar quarter and move to eight meetings a year, keeping in mind that if there were no significant agenda items, the non-quarterly meeting could be cancelled.

Richard Griep made a motion to approve the 2013 Calendar as follows:

- **February 20, 2013**
- **March 20, 2013 - quarterly meeting**
- **May 15, 2012**
- **June 19, 2013 - quarterly meeting**
- **August 21, 2013**
- **September 18 - quarterly meeting**
- **November 20, 2013**
- **December 18, 2013 - quarterly meeting**

Donna Lovejoy seconded. Motion carried by the Trustees 6-0.

b. Attorney Memo re. Letter to Plan Participants on Beneficiary Designation after Divorce

The Board reviewed the memo from Christiansen & Dehner regarding re-designating a beneficiary after a divorce. Mr. Mitchell noted the Board's responsibility to inform the membership of legal changes affecting their pension. The Board directed the Administrator to send the memo out to active plan participants with the next Annual Statement and to do a direct mailing to the Retirees with pass-thru charges back to the plan.

c. Renewal of Fiduciary Liability Insurance

The Board reviewed the quote obtained from Ullico for State National policy versus the renewal of the Illinois National policy with Chartis. Mr. Griep inquired as to whether Scott Christiansen had commented on how the coverage equates between the two policies? Pam Nolan stated that the quote had been requested for the same coverage as the existing policy with Illinois National and Scott Christiansen had not reviewed the policies. Various Trustees had questions regarding the nature of what Fiduciary Liability Insurance was exactly covering and noted to request more information from Scott Christiansen at the next Board meeting he attends.

Richard Griep made a motion to approve the Ullico quote for the State National policy. William Mitchell seconded. Motion carried 6-0.

d. Kessler Topaz Agreement - signed by Board Chairman.

e. COLA's effective October 1, 2012 - Pam Nolan confirmed COLA increases were processed by Comerica.

f. Online access at Comerica - the Board approved online access to view activity for the pension fund accounts for City employees Mike Seagle and Debra Emerson.

g. Poffenbager overpayment - Pam Nolan notified the Board that Foster & Foster found a four year discrepancy between Danny Poffenbager's birthdate noted on his early retirement paperwork and his actual birth date. Mr. Poffenbager took early retirement from the City in January 2009 under the Early Retirement Incentive Program. The discrepancy resulted in Mr. Poffenbager receiving too large of a benefit payment for the last four years but did not affect his eligibility for retirement under the Early Retirement Incentive Program. Ms. Nolan advised that Scott Christiansen requested that the Board suspend taking any substantive action until after he addresses the Board on this matter at the December 2012 meeting.

The Board requested that Mr. Poffenbager be notified of the situation and possible repayment plans be investigated prior to the next meeting.

5. PLAN FINANCIALS

a. Interim Financial Statements

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

b. Benefit Approvals

Richard Griep made a motion to approve the Benefit Approvals with inquires to Foster & Foster regarding Revised Benefit Calculation for Allen & Posey and reason for (2) calculations for Robinson, Pendergrass & Olinger. Tom O'Malley seconded. Motion carried 6-0.

c. Warrant dated October 16, 2012

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

6. NEW BUSINESS

Richard Griep reported on his attendance at the FPPTA Trustee School in Bonita Springs October 7 - 10, 2012. He found it very helpful and recommended attendance to all new Trustees. He said the highlights of the two days of classes were:

- Assumed Rate of Return - there is a lot of discussion in the state on this; there had been a historical period of higher returns, now most plans are looking at going down to 7.8% and gradually dropping each year.
- Finding Alpha - concept of paying Investment Managers by increase of value over benchmark. For future discussion with Tim Nash.
- Establishing A Funding Policy - much like the City's investment policy-- needs to be periodically reviewed by the Board.
- Fiduciary Responsibility - if a City has a 457 plan, need to be sure someone is reviewing to see if it is appropriate for the people investing; also that the fees are appropriate. 457 managers have been known to charge higher fees. Performing this oversight is within the Pension Board's responsibilities if no one else is doing it on the 457 plan participants' behalf. ICMA/Nationwide could be charging 2% or more and/or the investment may or may not be appropriate (such as not diversified enough) make sure investments in 'types' are different from each other. Ms. Pennington inquired as to how the 457 provider selected by the City? Mr. Mitchell question if this the proper role for the Board to take? Mr. Griep reiterated that this is only for the pension Board if there is no fiduciary oversight done elsewhere. Need to have the Investment Consultant review.
- Education - Not only of plan participants (such as the recent workshops put on by Scott Baur), but also education of the City employees working with the plan and the City Council. Some plans give reports or newsletter of how the plan is doing. Also, Boards should consider proactive contact to the media regarding the pension plan.
- Collective Bargaining - note during pension negotiations that once an employee has obtained eligibility for normal retirement, it cannot be reduced.

7. OLD BUSINESS

8. NEXT REGULAR MEETING

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

9. ADJOURNMENT

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

The meeting was adjourned at 10:35 AM,

Respectfully submitted,

Richard Griep, Secretary