

City of Fort Myers General Employees' Retirement System

Minutes: Meeting of June 19, 2013

1. CALL TO ORDER

Chairperson Eloise Pennington called a meeting of the Board of Trustees for the Fort Myers General Employees' Retirement System to order at 9:02 AM. Ms. Pennington called roll. Those persons present included:

TRUSTEES

Eloise Pennington, Chair
Richard Griep, Vice Chair
Donna Lovejoy, Secretary
William Mitchell
Tom O'Malley
Joseph Tallarico

OTHERS

Pam Nolan, Thel Whitley, Scott Baur, Pension Resource Center
Tim Nash, The Bogdahn Group
Scott Christiansen, Christiansen & Dehner
Debra Emerson, City of Ft Myers
Holly Simone, City of Ft Myers
Mike Seagle, City of Ft Myers

TRUSTEES NOT PRESENT

Dennis Pearlman

2. OATH OF OFFICE

Newly appointed Trustee, Joseph Tallarico, was sworn in by Marie Adams, City Clerk.

3. APPROVAL OF MINUTES

Richard Griep moved that the minutes of the May 15, 2013 meeting be accepted as amended (next meeting date). Donna Lovejoy seconded. Motion carried 6-0.

4. INVESTMENT CONSULTANT REPORT- Tim Nash, The Bogdahn Group

For the benefit of the new Trustee, Mr. Nash reviewed his primary responsibilities as the investment consultant for the Board; maintenance of the Investment Policy Statement, coordination of investment manager selection, monitoring of investment manager performance and recommendation of the target rate of return to the Board.

Mr. Nash then reviewed the market performance for the first quarter of 2013. The US stock market performed very well (S & P 10.6%); the international markets lagged at 3.3% overall. Developed international markets returned 5.2%, but international emerging markets took the overall international return down with -1.6% for the quarter. The domestic bond market performance was negative, at -0.1% for the quarter.

Looking at the market performance since March 2012, US equities are at 14%, International equities at 8.9%, and US bond market is at 3.8%, so still strong growth for one year. Mr. Nash noted that US stocks saw large to mid-size value stocks, each up over 10%, far better than growth stocks. The plan's two growth managers, Wells Capital Management and Lateef handled their IT portion of their portfolios differently; Lateef having sold their Apple investment fared well, while Wells, holding on to Apple, did not. Wells continues to hold on to Apple as a part of their longer term strategy.

Mr. Nash reported the recent move of a portion of the domestic fixed income to global fixed income and real estate investments contributed to the portfolio's increase from \$73.7M at the beginning of the quarter to \$78.8M at quarter end. In April, the plan was up to \$80M. Mr. Nash noted that the termination of Manning & Napier and Moody Aldrich and the inception of the two new managers, Advisory Research and Eagle Capital Management, as well as the allocation to the Templeton Global Bond Fund, should bode well for the fund in the current quarter. The fund

is currently at 6.78% for the fiscal year to date, a good place to be halfway through the fiscal year.

The plan returned 5.28% for the quarter, ranking in the 51st percentile of all the US plans. Mr. Nash noted this was near the benchmark return of 5.63%, but is looking for the shift in the value portion of the portfolio to less volatile value investment managers to help the plan exceed the benchmark in the future. In December, the plan had exceeded the index for the last two quarters. Mr. Nash also noted the last five years show a trend to lower risk. Donna Lovejoy asked what his prognosis was for the plan to pass the benchmark in the near future? Mr. Nash said yes, especially with the switch to Eagle Capital and Advisory Research. Richard Griep questioned why Wells was sticking with Apple. Mr. Nash said they were committed to Apple, even looking to buy more, and said they were especially positive about the world wide prospects for Apple products in the future. Mr. Griep noted that in their presentation at the last meeting, Wells mentioned a change in Chairman of their parent company, and asked if Mr. Nash saw this as affecting the stability of the team handling the plan's portfolio with them. Mr. Nash felt that Wells Fargo was very stable, and had a very large capital base. The Wells Heritage team handling the plan's investment is very stable and autonomous from the parent company. They closed their strategy to any new investors six months ago, which is a very good sign. On that point, Eagle Capital just announced that they were also closing their strategy. Manning & Napier earned in the double digits for the quarter, but the index was up even higher; Wells did not beat the index either. The Polaris International portfolio has been doing very well; for the first quarter, the fiscal year to date and the 1 and 3 year returns. Bonds, which were a good portion of the fixed income portfolio, beat the index and for the fiscal year to date were double the benchmark return. Templeton and PIMCO were too new to have a return posted. The real estate portion of the portfolio, which was created by taking a portion from the bond portfolio, was up 5.8% for the fiscal year to date.

Mr. Nash ended by reviewing the compliance checklist. The number of 'yes' answers to the compliance question is increasing and should improve even more with the current manager mix. He noted that the Bond checklist is all 'yes' answers. Donna Lovejoy asked about the four year smoothing and noted if the plan reached the targeted 8% this year, the City's obligation would decrease. Mr. Nash said that the plan is currently at 9 or 9.5% actual right now, so there is a good probability that could happen.

5. ATTORNEY REPORT - Scott Christiansen, Christiansen and Dehner

Mr. Christiansen updated the Board regarding legislation impacting the plan, specifically, additional reporting requirements to the State which will result in additional reporting cost to the plan. Mr. Christiansen noted this could be challenged as an unfunded mandate and will keep the Board apprised of any developments. The legislature also passed a bill to drop the FRS calculation, replacing it with a new, more complicated one. Senate Bill 50 also passed, which affects the plan by requiring an agenda item to ensure public comment at every meeting in future.

Mr. Christiansen reviewed the proposed ordinance changes to include language to ensure compliance to IRS requirements.

Richard Griep moved that the Board approve the ordinance amendment as submitted. Donna Lovejoy seconded for discussion.

Ms. Lovejoy cited an earlier effort to clean up the language in the ordinance regarding purchase of 'air' time and wondered if this should be included in the current set of amendments. Mr. Christiansen noted that the IRS changes needed to be completed by September 30, 2013 and suggested separating the updates.

Richard Griep recalled that the airtime purchase within 30 days of termination change to the ordinance needed to be negotiated between the City and the Union and a letter needed to be drafted by the Board requested the Union to include it in their next negotiation. Mr. Christiansen noted that an ordinance amendment to specify the allowed deadline had been drafted some time ago. Eloise Pennington and Donna Lovejoy agreed to prepare a letter to the Union requesting they take forward the request to negotiate that an employee who is terminated be allowed to purchase air time up to 30 days after their termination date.

Motion to approve the ordinance amendment as submitted passed 6-0.

Mr. Christiansen reviewed the revised Benefit Election form that the Board requested be changed to include that the retiree has verified the accuracy of their personal information. Ms. Nolan confirmed that the revised form is being used for all retirement application going forward.

Mr. Christiansen reminded the Trustees that they needed to submit their Form 1 to the State's Commission on Ethics by July 1, 2013. Daily fines to the Trustees begin September 1, 2013.

Mr. Christiansen inquired if the endorsement for the Waiver of Recourse had been received for the Fiduciary Liability Insurance policy. Ms. Nolan confirmed that the endorsement had been received.

Mr. Christiansen inquired if the new contract for the employees in the plan represented by the Police Benevolent Association had been finalized. It has not been finalized as of yet. Mr. Christiansen noted that the salary definition would need to be updated when it is.

Mr. Christiansen advised the Board that his office has received an application for Disability pension from Lisa Lewis. Mr. Christiansen's office is in the process of gathering the pertinent documents. Due to Ms. Lewis' serious medical condition, Mr. Christiansen notes that the Board does have the authority to waive an independent medical evaluation, and once the treating physician's records have been received he would recommend that the Board convene a special meeting of the Board to review the application. Ms. Nolan noted that Ms. Lewis submitted a copy of her approved Social Security disability application to the Board.

Mr. Nash reviewed the revised Investment Policy statement with index and date changes and an updated target allocation table. He also noted that there are new addenda for Advisory Research and Eagle Capital.

Richard Griep moved that the Board approve the revised Investment Policy Statement as submitted. Tom O'Malley seconded. Motion carried 6-0.

6. ADMINISTRATOR REPORT - Scott Baur & Pam Nolan, Pension Resource Center

Scott Baur introduced Thel Whitley, a new employee of the Pension Resource Center, who will be supporting and eventually taking on the administration of the Ft Myers plans. Mr. Whitley has extensive background in pension board service and is a retired firefighter from the St. Lucie County Fire Department.

Ms. Nolan reviewed the revised Annual Statement format for 2013 from Foster & Foster. The Board had requested that the statement be revised to indicate when a purchase of service had been made. The Board requested that the 2013 Annual Statements included a cover letter that included an explanation of the upper tiers to the members.

7. PLAN FINANCIALS

a. Interim Financial Statements

The Board reviewed the Balance Sheet and Income & Expense Statement for October 2013 through April 2013.

b. Benefit Approvals

The Board reviewed the Benefit Approvals dated June 19, 2013. The Board requested that future Benefit Approvals include which Benefit Option was selected by the Retiree.

Richard Griep made a motion to approve the Benefit Approvals dated June 19, 2013 as submitted. William Mitchell seconded. Motion carried 5-0. (Tom O'Malley abstain)

c. Warrant

Ms. Simone noted that the Administrator expense for April included in the Warrant was not indicated on the Income & Expense statement. Ms. Nolan will investigate and update the Board at the next meeting.

Richard Griep made a motion to approve the Warrant dated June 19, 2013 as submitted. Donna Lovejoy seconded. Motion carried 6-0.

8. NEW BUSINESS

The Board reviewed the memo from Foster & Foster regarding the option to state the City's contribution in a percentage of payroll or a flat dollar amount. The Board requested it be placed on the agenda for the August meeting

Richard Griep noted that changes to the assumptions for the 2012 Actuarial Valuation caused delay in the receipt of the report and noted that the City needs the valuation earlier in future. The Board noted that any future change in assumptions would be made going forward and not require a change to the current valuation. Ms. Nolan noted that last year was the first year the data sent to the actuary came from City payroll data supplied to PRC, and resolving some issues in the data caused some delay in Foster's preparation of the valuation. PRC anticipates providing the data to Foster earlier in future.

9. OLD BUSINESS

10. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular monthly meeting on Wednesday, August 21, 2013 at 9:00 am.

11. ADJOURNMENT

There being no further business, a motion was made by William Mitchell to adjourn and seconded by Richard Griep. Motion carried 5-0.

The meeting was adjourned at 10:42 AM.

Respectfully submitted,

Donna Lovejoy, Secretary