

City of Fort Myers General Employees' Retirement System

Minutes: Meeting of August 21, 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 9:03 AM. Ms. Pennington called roll. Those persons present included:

TRUSTEES

Eloise Pennington, Chair
Richard Griep, Vice Chair
William Mitchell (9:05 am)
Tom O'Malley
Dennis Pearlman
Joseph Tallarico
Donna Lovejoy, Secretary (9:10 am)

OTHERS

Pam Nolan & Thel Whitley, Pension Resource Center
Debra Emerson, City of Ft. Myers
Mike Seagle, City of Ft. Myers
Patrick Donlan, Foster & Foster, Inc.

PUBLIC COMMENT

There were no members of the public that wished to make any comments.

3. APPROVAL OF MINUTES

A motion was made by Mr. Griep and seconded by Mr. Pearlman to approve the minutes of the June 19th, 2013 meeting as amended. The motion passed 6 to 0 with Ms. Lovejoy abstaining (she arrived at the end of the discussion)

2. INVESTMENT CONSULTANT REPORT – Monthly Flash Report for June 2013

Ms. Nolan presented the Bogdahn Flash Report for June 2013. She noted that Mr. Nash advised there was a discrepancy in the Galliard Capital Management TIPPS reporting. Galliard reported a return that was 100 basis points higher than what Comerica reported for them. Mr. Nash is investigating the reporting discrepancy. Mr. Seagle asked if the Eagle statements are online, available to review. Mr. Griep stated that the Eagle online reporting is not up to date. Mr. Seagle added that the paper reports through Comerica were accurate.

5. ADMINISTRATOR REPORT - Pam Nolan and Thel Whitley, Pension Resource Center

The Board reviewed a copy of the letter from the Board to Tom O'Malley (Union President and Trustee) regarding the Boards approval of the proposed ordinance to allow a terminated, vested person to purchase air time within thirty days of termination. The purpose of the letter was to request that the Union consider this topic during upcoming negotiations.

The Board reviewed an addendum to the Operating Rules and Procedures (Section 1.6) Per Diem and Reimbursement, to base the mileage reimbursement on actual miles driven. Ms. Pennington stated this change was meant to bring the Pension Plan into conformity with the City Code.

A motion was made by Mr. Griep and seconded by Ms. Pennington to approve the amendment to the Operating Rules and Procedures. The motion passed 7 to 0.

6. PLAN FINANCIALS

a. Interim Financial Statements

The Board reviewed the Balance Sheet and Income & Expense Statement for October 2012 through June 2013.

Ms. Lovejoy again discussed the need for timeliness of the financial reporting, especially nearing the end of the fiscal year.

b. Benefit Approvals

The Board reviewed the Benefit Approvals dated June 21, 2013.

A motion was made by Mr. Griep and seconded by Ms. Lovejoy to approve the Benefit Approvals as amended (years of service for Mr. Gloster). The motion passed 7 to 0.

c. Warrant

The Board reviewed the warrant and individual invoices. Mr. Griep inquired about two Foster and Foster invoices on the warrant but only one invoice to review. Ms. Nolan stated she would remove the second reference to invoice #4955. The invoice from the City of Fort Myers for auditing fees was discussed. Ms. Pennington stated this has been common practice and Mr. Griep stated that the City charges each pension plan for its portion of the City's auditing services.

A motion was made by Mr. Griep to accept the warrant as submitted and seconded by Mr. Mitchell. The motion passed 6 to 0.

7. OLD BUSINESS

Mr. Donlan from Foster & Foster spoke about decreasing the Plan's assumed rate of return, noting that in the February 20, 2013 Board meeting the Board moved to use a more detailed salary schedule and utilize the RP-2000 Disabled table. Mr. Donlan recommended decreasing the Plan's assumed rate of return, noting that FRS has reduced its earning assumption to 7.75%. It was noted that the actual rate of return for the plan is 6.65% (FYTD 2013). Mr. Donlan noted that lowering the assumed rate of return to 7.75% would cost the City 1.4% of payroll and lowering it to 7.9% would cost the City .5% of payroll. Mr. Mitchell asked what that figure would be in dollars. Mr. Dolan said that a reduction of .5% of the approximately \$20M payroll would represent \$100,000 of additional contributions from the City, though the two previously made changes will make lowering the assumed rate to return to 7.9% fairly revenue neutral. Mr. Griep stated that he would like to see the Board move toward a more conservative assumed rate of return. Mr. Mitchell added that lowering the assumed rate of return to 7.75% would be optimal, but doing so in a gradual method would be best. Mr. Donlan stated that lowering the assumed rate of return during a year of favorable investment performance works well vs. lowering the assumption in a year of unfavorable returns.

A motion was made by Ms. Lovejoy and seconded by Mr. Griep to decrease the plan's assumed rate of return to 7.9% for the 2013 fiscal year.

Mr. Donlan added that legislation passed recently, requiring additional reporting requirements in 2014. Those being, submitting a second version of the actuarial valuation with a minus 2% investment return; and a third version, with no additional contributions and no investment returns, to illustrate how long the Plan would remain solvent. Both of these "what if" scenarios would result in an artificially higher unfunded liability for the Plan. Mr. Donlan was asked about the cost of the preparation of the additional required reporting and said that the cost of those studies has not been established as of yet. A general discussion regarding the defined benefit and defined contribution plans ensued as well as discussion of the benefits of the 457 plans that are currently offered to the employees.

The question was called regarding the lowering the assumed rate of return to 7.9%. The motion passed 7 to 0.

Additional discussion regarding the timeline for the annual report ensued; Ms. Nolan described that the delay of the previous year was largely due to it being the first time PRC provided year end data from the City to Foster & Foster. The total time for the verification of the data and delivery to Foster & Foster will be much shorter this year. Mr. Donlan noted that with the additional reporting requirements in 2014, the total time for Foster & Foster to produce the reports may increase, thus it is imperative that they receive the data early, acknowledging that the employee contribution data is the most difficult piece due to the Plan's complexity of tiers.

8. NEW BUSINESS

Mr. Griep suggested that Mr. Tallarico attend the Trustee education in Palm Beach Gardens in September. General discussion ensued on the benefits and requirements. Mr. Pearlman and Mr. Mitchell both said that they would attend February's school in Jacksonville.

A motion was made by Mr. Griep and seconded by Mr. O'Malley to fund the attendance of the three Trustees that have not attended to attend either in September or February. The motion passed 7 to 0.

Mr. Donlan added that Christiansen and Dehner had offered free, half-day seminars in past and if those should be offered in the future the Trustees should consider attendance.

Additional discussion ensued regarding the filing of Form 1 by the Trustees; Ms. Nolan stated that she has recently audited the state website and all Trustee's Form 1 were submitted by the Trustees listed on the site. Mr. Tallarico stated that he has filed his Form 1. Ms. Pennington stated that if a Trustee leaves the Board, that the Trustee must file a different form with the State.

9. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular monthly meeting on Wednesday, September 18, 2013 at 9:00 AM.

10. ADJOURNMENT

There being no further business, A motion was made by Mr. Griep to adjourn and seconded by Mr. Mitchell. Motion passed 7 to 0.

The meeting was adjourned at 10:05 AM.

Respectfully submitted,

Donna Lovejoy, Secretary