

City of Fort Myers General Employees' Pension Plan

Minutes: Meeting of September 18, 2013

1. CALL TO ORDER

Vice Chairperson Griep called a meeting of the Board of Trustees for the Fort Myers General Employees' Pension Plan to order at 9:04 AM. Mr. Griep called roll. Those persons present included:

TRUSTEES PRESENT

Richard Griep, Vice Chair
Donna Lovejoy, Secretary
William Mitchell (9:07 am)
Tom O'Malley
Joseph Tallarico

OTHERS PRESENT

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

TRUSTEES NOT PRESENT

Eloise Pennington
Dennis Pearlman

2. PUBLIC COMMENT

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

3. APPROVAL OF MINUTES

Mr. Christiansen informed the Board that the only instance that a Trustee may abstain from voting is when the Trustee feels that they have a conflict of interest regarding the topic. Also, if a Trustee abstains from a vote due to a conflict of interest, the Trustee is required to complete a form regarding the nature of the conflict of interest.

A motion was made by Ms. Lovejoy and seconded by Mr. O'Malley to approve the minutes of the August 21st, 2013 meeting as amended. The motion passed 5 to 0.

4. INVESTMENT CONSULTANT REPORT – Tim Nash, of the Bogdahn Group.

Mr. Nash started his discussion with the Plan's performance for the 2nd Quarter, ending June 30, 2013. He addressed the Fed possibly slowing its buying of treasury bonds and mortgage backed bonds to approximately \$70 billion per month. He said the slowing has already been priced into the market, though if the buying were to go lower than what is expected, there could be negative market reaction. Mr. Nash felt that the decrease in the Fed's buying of bonds is a non event. As of June 30th, the year over year total fund balance went from \$69,069,076 to \$77,981,138. This is inclusive of Plan payouts to participants of \$5,907,003. For the quarter, the total fund return was -0.12% and put the plan in the middle of the pack, at the 54th percentile. Eagle Capitol and Advisory Research were both positive for the quarter. Wells Capital was also positive for the quarter and is expected to continue to do well into the next quarter. The International Polaris Fund is doing well, the FYTD increase was 16.97%. Morgan Stanley Real Estate had 5.47% growth for the quarter and 11.68% for the FYTD return. PIMCO and the Templeton Global Bond Fund were in negative territory for the quarter. Mr. Nash reviewed the Compliance Checklist as of June 30, 2013 and noted that the Plan still had a number of 'no' responses on the checklist. Mr. Nash explained that with the recent changes that were made removing Manning & Napier and Moody Aldrich we should see positive results. Mr. Nash added that though quarterly results are down, the trend is better but not where we want to be, and not ahead of the index.

Mr. Nash reviewed the Flash Reports for July and August, 2013; as of the report dates, the Plan had growth of 3.47% for the month of July, but was down -1.35% for August. For the FYTD ending August 31, 2013, the Plan's total return was 8.91%, with a total fund value at \$79,156,936. All of the Managers on the equity side are beating the benchmarks, the international equities were up 22% and US bonds were down -2.4%.

Mr. Nash reported that the Plan still has some cash balances in the Manning & Napier and Moody Aldrich funds which typically take up to six months for a final settlement, the Plan should see a soft close into the R & D fund in September.

Mr. Tallarico inquired what date is the Plan's year end. Mr. Nash explained that there are three more weeks in the fiscal year. General discussion ensued regarding the variables that could happen within a three week period of time. Mr. Tallarico asked Mr. Nash about the changing of money managers inside of the fund. Mr. Nash explained that the Board chooses fund managers after a recommendation from the Investment Consultant for the different market segments and gave the example that Manning & Napier Equity and Moody Aldrich Focused Value were terminated and Advisory Research and Eagle Capital were hired in their place. Mr. Tallarico then inquired as to what costs were associated with these changes. Mr. Nash said trades could happen due to the new manager not liking a certain stock or bond and selling it. For the most recent change in Invest Managers, the cost was \$1,000 to \$1,200. In situations where no trades are made, it is considered to be an in-kind trade to a new manager and no cost is incurred. Mr. Nash further explained that the Bogdahn Group, as the Board's Investment Consultant is paid a flat fee of \$6,250 per quarter and makes no commissions, nor do they make any monies from the investment managers and or their trades. Ms. Lovejoy said that the positives of making these changes were worth the minimal costs associated with the changes.

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

Fiduciary Liability Insurance. Ms. Nolan presented the Board the renewal of the fiduciary liability insurance quote from a new carrier; with a total premium of \$18,514.46 for the period of October 17, 2013 to October 17, 2014.

Mr. Christiansen explained that this is insurance for the Board in the instance that the Board breached its fiduciary responsibility and incurred a monetary loss. The insurance company typically does have recourse for subrogation to recover it's payouts from the Trustees. In most instances, the insurance companies have a waiver of recourse endorsement which covers the individual Trustees against recourse. This waiver is typically only available if the premium for the endorsement is not paid by the Plan. In this Plan, the City has historically paid the premium for this waiver. Mr. Christiansen further explained that the language in this policy stated the opposite of what he explained about the waiver of recourse endorsement and that he needed to review the endorsements. Ms. Nolan said that she will forward the Florida Endorsement as well as the Waiver of Recourse Endorsement to Mr. Christiansen. Ms. Nolan said the cost of the Waiver of Recourse is approximately \$175.00 and Plan will request reimbursement from the City. Mr. Christiansen suggested a motion be made to approve the payment of the Fiduciary Liability Insurance premium pending his review of the two endorsements.

A motion was made by Mr. Mitchell and seconded by Ms. Lovejoy to authorize the renewal of the Fiduciary Liability Insurance Policy pending review of the two endorsements by Mr. Christiansen. The motion passed 5 to 0.

6. PLAN FINANCIALS

a. Interim Financial Statements

The Board reviewed the Balance Sheet and Income & Expense Statements ending August 31, 2013. There were no questions or comments.

b. Benefit Approvals

The Board reviewed the Benefit Approvals dated September 18, 2013.

Ms. Lovejoy asked why there was a delay in the reporting of two of the participants that went into DROP in January, 2013 and is being reported now. Ms. Nolan explained that these participants had delayed returning their Benefit Option Selection form until the end of the fiscal year after PRC to make numerous requests for the receipt of the form.

Mr. Christiansen added that there could be a fiscal impact if the participant did not choose his DROP interest selection. Ms. Nolan said that these participants did submit their DROP entry forms, which includes the interest selection on time.

Mr. Griep inquired whether a DROP participant could change their mind about the entry into DROP or the date they must leave. Ms. Nolan explained that once that choice is made and the forms completed, the choice is irrevocable.

Mr. Christiansen inquired as to how participant deaths are tracked. Ms. Nolan said that PRC receives notification by several different means, those being a family member may make the notification. The City may notify us and PRC also gets notification from Comerica performing a death search. Ms. Nolan noted that Comerica conducts death searches once per month based on the retiree's social security numbers.

A motion was made by Ms. Lovejoy and seconded by Mr. O'Malley to approve the Benefit Approvals. The motion passed 5 to 0.

c. Warrant

The Board reviewed the warrant and individual invoices.

A motion was made by Mr. Tallarico to accept the warrant as submitted and seconded by Ms. Lovejoy. The motion passed 5 to 0.

7. OLD BUSINESS

Ms. Lovejoy inquired as to the status of the Police Union's Pension Plan revision status and on its possible impact to the valuation of this plan. Mr. Mitchell said that the two parties are continuing to negotiate, but a settlement has not been reached. Ms. Nolan added that there were twelve participants still in the General Plan. Ms. Emerson added that there were very few in the tiers. Ms. Lovejoy noted that even one could have a fiscal impact to the plan.

8. NEW BUSINESS

Ms. Nolan presented the COLA schedule that is to take effect October 1st, 2013. General discussion ensued regarding whether this schedule included COLAs for those participants in DROP. Ms. Nolan explained that this schedule of COLAs only included those participants currently receiving a monthly benefit, not those in DROP. Ms. Nolan also noted that the COLAs for those in DROP are included in the annual valuation report. Mr. Christiansen suggested that

it would be good to show the COLAs for those in DROP within a report. Mr. Griep added that the COLAs for DROP participants should be included in a report such as the one presented. Ms. Nolan will contact Foster & Foster regarding reporting of the COLAs for DROP participants.

A motion was made by Ms. Lovejoy and seconded by Mr. O'Malley to approve the COLA schedule as presented. The motion passed 5 to 0.

9. ATTORNEY REPORT – Mr. Scott Christiansen

Mr. Christiansen reported that the Board Members from 2012 all had their Form 1 listed on the state website. Mr. Tallarico stated that he had filed his Form 1. Mr. Christiansen added that when a Trustee leaves the Board, that a Form 1F must be filed within sixty days of leaving the Board. Mr. O'Malley added that the new Union President is Rodolfo Rosso and he will be attending the November meeting.

Mr. Christiansen inquired as to the status of the ordinance involving the IRS changes. Ms. Nolan said that she has not received a copy to the signed ordinance yet, and would forward a signed to copy with the no impact letter to the State as well as Mr. Christiansen once received from the City.

Mr. Christiansen inquired as to the status of the letter to the Union regarding air-time purchase. Mr. Griep said the Board has sent the letter and there is no additional action required at this time.

Mr. Christiansen spoke about the current Operating Rules and Procedures utilizing the RP2000, Combined Healthy Tables and the 8.4% assumed rate of return. Mr. Christiansen stated the need to amend the current Operating Rules and Procedures to reflect the use of the decreased assumed rate of return of 7.9%. Ms. Nolan added that the RP2000 Disabled table is now being utilized as well as the decreased assumed rate of the return for next fiscal year's evaluation.

A motion was made by Ms. Lovejoy and seconded by Mr. Mitchell to amend the Board's Operating Rules and Procedures to reflect the decreased assumed rate of return of 7.9% and use of the RP2000 Disability Table. The motion passed 5 to 0.

10. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular monthly meeting on Wednesday, November 20th, 2013 at 9:00 AM.

11. ADJOURNMENT

There being no further business, A motion was made by Mr. Mitchell to adjourn and seconded by Mr. O'Malley. Motion passed 5 to 0.

The meeting was adjourned at 10:06 AM.

Respectfully submitted,

Donna Lovejoy, Secretary