

City of Gulfport Firefighters' Retirement Pension Fund

Minutes: Meeting of October 25, 2012

1. CALL TO ORDER

Chairman Mike O'Toole called a meeting of the Board of Trustees for the Firefighters' Retirement Pension Fund to order at 5:00 PM.

2. ROLL CALL

Roll call of the Trustees present resulted in a quorum for the quarterly meeting. Those persons present included:

TRUSTEES

Michael O'Toole, Chair
Christine Brown
Mike Hayes
Brian Campbell (5:30 pm)

OTHERS

Scott Baur & Pam Nolan, Pension Resource Center
Scott Christiansen, Christiansen & Dehner
Jack Evatt, The Bogdahn Group
John Hamlin, Dana Investment Advisors

TRUSTEES ABSENT

Don Howard

3. APPROVAL MINUTES

Christine Brown made a motion to approve the minutes of the July 26, 2012 meeting as submitted. Mike Hayes seconded the motion. The motion passed 3-0.

4. INVESTMENT REPORTS

Domestic Equity Performance (John Hamlin, Dana Investment Advisors)

Mr. Hamlin reported that the fund earned 5.34% for the third quarter of 2012 versus 6.35% for the S&P 500. For the Fiscal Year 2012, however, the fund returned 17.5%, +1.06% over the S&P 500, and for the fiscal year to date had a return of 30.9%, +.7% over the S&P 500. Dana's philosophy is to choose high quality discounted stocks with good dividends and market gains. In the third quarter, high yield stocks under performed and low/zero yield stocks significantly out performed all other sectors. For the year, however, the 2011 'crater' was avoided and the fund saw the best year in quite some time.

Mr. Hamlin reviewed the sector contributors of materials, financials and energy, as well as the detractors in information technology, industrials and health care for the third quarter. Adjustments have been made in the fund's holdings, bringing on AGCO Corp, Kimberly-Clark and Oracle, and deleting Timken Co., Kraft and Covidien. Dana's process to seek out companies with strong sustainable cash flow has resulted in their portfolios generating higher dividend yields than the benchmark. In the last three years, Dana dividend growth was at 14.49%, exceeding the S&P 500's dividend growth rate of 5.48% for the same time period.

In the forward outlook, Mr. Hamlin noted that GDP growth has been slow and should continue to be in the 2% range for the next four quarters. Upcoming impacts on the economy are stabilization of the Euro, the US Presidential election and the approaching

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'fiscal cliff' (expiring tax cuts and automatic spending cuts). Earnings statistics indicate that companies are hoarding cash, pending action until the outcome of the Presidential election in November. The unemployment rate is decreasing and residential real estate is starting to recover, as indicated by an uptick in housing starts and upward movement in bank credit. Another positive factor is despite the high government debt, the interest payments on the debt have been relatively stable due to low interest rates. The Fed's have a strong incentive to keep interest rates low as long as inflation is not a factor.

- **Trustee Brian Campbell arrived at 5:30 pm.**

Total Fund Performance (Jack Evatt, The Bogdahn Group)

Mr. Evatt observed that this quarter was positive; international equity, domestic equity and fixed income results were all up. For the year, results were very good despite the volatile ups and downs in the market. The fund started out at \$1,970,379 on October 1, 2011 and ended the fiscal year at \$2,407,108 on September 30, 2012. This is a return of 19.74% for the fiscal year, putting the fund in the 30th percentile of like funds across the country.

For the fiscal year, the domestic equity portion of the portfolio slightly exceeded the benchmark, but the international portion of the portfolio was under its benchmark. Beating the benchmark was difficult due to the volume of stocks in the portfolio and the practice of currency manipulation outside the US. The fixed income portion of the portfolio nearly doubled the benchmark, returning 3.15% over the benchmark of 1.58%.

In looking at the compliance checklist for the fund, Mr. Evatt noted that all compliance criteria were now being met except for exceeding the 8% return assumption over the trailing 5 year period. As time passes with good results, the negative impact of the 2008 recession will drop out of this measurement in the coming year or two.

Investment Manager Evaluation – SMID Cap Equity

The Board reviewed the Bogdahn report evaluating investments in the small to mid-cap equity area. Mr. Evatt related that moving a portion of the large cap investment to a small/mid cap fund would allow the fund to take advantage of the upcoming opportunities in this category. With the large amount of cash in the economy, there is a likelihood that mid size companies can be taken over by larger ones. Mr. Evatt noted that no modification to the investment policy would be required by this change.

Mike Hayes moved that 10% of the fund's assets now with Dana Investment Advisors be transferred to the Vanguard Extended Market Index. Christine Brown seconded. The motion passed 4-0.

Investment Manager Review – International Equity

In the last meeting, the Board requested Mr. Evatt to review the plan's investment in the international equity sector. The board compared four options against the current Vanguard Total International Stock Index investment, concentrating on Thornberg International Value and EuroPacific Growth. Mr. Evatt noted that they each had a very

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similar performance and makeup but the EuroPacific fund was available at a substantially lower cost. Over the long term, active management is preferred, giving the ability to add some value. Some predictability is given up and more volatility is involved in going with an active versus a passive manager.

Christine Brown moved that the fund's assets now with Vanguard Total International Stock index be moved to the EuroPacific Growth fund. Mike Hayes seconded. Motion passed 4-0.

5. ATTORNEY REPORT (Scott Christiansen, Christiansen & Dehner)

Mr. Christiansen reported that a letter from the IRS was received adding a contingency to the maximum provision language. This will require an ordinance change prior to May 2013. Additional changes are likely to be generated by other changes to the IRS code. Mr. Christiansen will incorporate all changes into a single ordinance revision.

Mr. Christiansen advised that the fiscal year end report would need to be submitted to the City with "Pension letter #2". Ms. Nolan will submit to the City

Inquiring about the Fiduciary Liability Insurance, Mr. Christiansen noted the plan will need to submit a request for the city to reimburse the fund for the waiver of recourse portion of the premium since it is being paid in full.

Brian Campbell moved that the Fiduciary Liability Insurance be paid. Mike Hayes seconded. Motion passed 4-0

Forms for rolling over payment for military or government service have been revised by Christiansen & Dehner. They replace the current forms. They have been posted on PRC's website for the plan.

Mr. Christiansen reviewed the "Ex-Spouse as Beneficiary" memo in the Board's meeting packet; the memo is to be distributed to all plan participants. Ms. Nolan will arrange distribution to the active members with Mercedes Perez; PRC will distribute it to Retirees who have an applicable post-death benefit and Terminated Vested members.

Mr. Christiansen appraised the Board of 'the Naples letter' that the City of Naples sent to Governor Scott who passed it to the state Department of Management Services. A new interpretation from the State Department of Retirement may allow plans to reduce benefits without losing premium tax revenues. Under the previous interpretation, the Division of Management Services required plans to provide chapter minimum benefits and preserve benefits in the plan on March 12, 1999, in order to receive premium tax revenues. The new interpretation may allow Naples to provide benefits below the chapter minimums and below those in effect on March 12, 1999 if there is insufficient additional premium tax revenue to fund these benefits. The Department of Management Services says the plan actuary will need to demonstrate whether or not there is sufficient additional premium tax revenue, but does not specify how this demonstration is performed. Currently, the State is handling different Cities on a case by case basis. Mr. Christiansen reported that any potential impact to Gulfport is

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unknown. Last year legislation trying to accomplish this did not pass. The next step may be legislation on this point. Mr. Christiansen will continue to monitor the situation.

6. ADMINISTRATOR REPORT

Vested Deferred Review

Scott Baur updated the Board on the vested deferred review he is conducting. The vested deferred members needing calculations have been identified and the calculations have been requested from Foster & Forster. When the calculations are complete PRC will notify the affected members of their benefit and the process to apply for it.

Meeting Dates

The Board reviewed the proposed calendar for 2013 and approved the following meeting dates for 2013:

January 24, 2013
April 25, 2013
July 25, 2013
October 24, 2013

Dave Meare's Overpayment Status

Ms. Nolan reported that Mr. Meare's daughter had been contacted regarding return of the one month overpayment. To date, the \$267.00 has not been returned to the fund.

7. PLAN FINANCIALS

The Trustees reviewed the disbursements for payment of invoices contained on the Warrant dated October 25, 2012

Christine Brown made a motion to approve the Warrant for payment of invoices as submitted. Mike Hayes seconded the motion. The motion carried 4-0.

8. OTHER BUSINESS

9. NEXT MEETING

The Trustees previously scheduled their next quarterly meeting for January 24, 2013 at 5:00 PM.

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10. ADJOURNMENT

There being no further business, a motion was made by Brian Campbell to adjourn. Motion seconded by Mike Hayes. Motion carried 4-0.

The meeting was adjourned at 6:35 PM.

Respectfully submitted,

Christine Brown, Secretary