

City of Gulfport Firefighters' Retirement Pension Fund

Minutes: Meeting of April 25, 2013

1. CALL TO ORDER

Chairman Michael O'Toole called a meeting of the Board of Trustees for the Firefighters' Retirement Pension Fund to order at 5:07 PM.

2. ROLL CALL

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

TRUSTEES

Michael O'Toole, Chair
Don Howard
Mike Hays

OTHERS

Scott Baur & Pam Nolan, Pension Resource Center
Scott Christiansen, Christiansen & Dehner
Jack Evatt, The Bogdahn Group
Lynn Skinner, Salem Trust

3. APPROVAL MINUTES

Don Howard made a motion to approve the minutes of the January 24, 2012 meeting as submitted. Michael O'Toole seconded the motion. The motion passed 3-0.

4. INVESTMENT REPORT (Jack Evatt, The Bogdahn Group)

Mr. Evatt reviewed the market performance for the quarter. At a quarterly return of 3.3%, international equities did not fare as well this quarter as the last two quarters. Emerging markets ended the quarter at -1.6%, which was attributed to poor performance in China and South Korea, contributed to the overall weak international performance. Domestic equities had a very good quarter, returning 10.6%, the best quarter so far in the current fiscal year. Bonds had a negative performance for the quarter at -0.1%. The reallocation of 2% of the plan's assets from PIMCO Total Return to Dana's core equity investment portfolio done at the beginning of the quarter resulted in positive gains for the plan.

The plan went from \$2.457M at the end of the 4th quarter 2012 to \$2.619M at the end of the first quarter of 2013. This reflects roughly \$148K in capital appreciation. The plan's rate of return for the quarter was 6.44%, beating the benchmark of 5.92%. Two quarters into the fiscal year, the plan has a return of 7.88%, which is a very good place to be mid-year. Overall, the plan has done very well for the last five years, in the top 20th percentile of US plans. Looking forward, there may not be a pull back, possibly just more of a sideways move of the market. There are not a lot of investment alternatives out there; bonds and cash are not a good spot. The long rally did see a lot of dollars flow into bonds; now seeing tapering off in the bond market. There is a general expectation that interest rates will rise, the only uncertainty is how soon. Michael O'Toole observed that high yield bonds will be the first give away. Mr. Evatt agreed that it was the first place people leave when they perceive the market tanking. The current fixed asset investment is an attempt to cover poor performance in other fixed income sectors. Michael Hays inquired about precious metals as a possible area of interest since China is using a lot of resources. Mr. Evatt noted that gold is usually seen as a hedge against inflation, but when there is no inflation it is purely speculation.

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

Mr. Christiansen reviewed the revised Summary Plan Description with the Board. Changes included removal of language covering volunteer firefighters, salary definition to include an overtime cap and sick/vacation balances, and the maximum benefit definition was restated to meet IRS requirements.

Don Howard made a motion to approve the Summary Plan Description as revised. Mike Hays seconded the motion. The motion carried 3-0.

Mr. Christiansen reviewed proposed changes to the Ordinance which include removal of provisions for volunteer firefighters, changes to the average final compensation definition and changes regarding credited service.

Michael Hays made a motion to approve the Ordinance changes as submitted. Don Howard seconded the motion. The motion passed 3-0

Mr. Christiansen advised the Board that the Ordinance changes prompted by the IRS tax determination letter were approved by the City Council and has been submitted to the State and the IRS.

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

Mr. Christiansen updated the Board on legislative activity. Next week is the final session of the State legislature. Senate Bill 458 passed and is now in committee in the house as House Bill 1399. The proposed legislation bars the use of state money for defined benefit plans and institutes defined contribution plans instead. Mr. Christiansen will update the Board if any legislation that affects the plan passes. Michael Hays inquired if the defined benefit plan proposed by the State would be similar to a 457 plan. Mr. Christiansen advised that the State's plan would not be 'self directed' as that would be too costly to administer.

Mr. Christiansen then gave his opinion on the letter submitted by William "Rick" Johnson to the Board. Mr. Johnson is a vested deferred member of the plan who was eligible to apply for benefits in 2001. PRC received Mr. Johnson's application for retirement in July of 2011. Mr. Johnson offered to forego having the benefit awarded retroactively as of his eligibility date in 2001, and requested that the Board grant him a benefit as of August 2011 per his application, but base the benefit on current plan provisions.

Mr. Christiansen stated that he reviewed the ordinance governing the plan when Mr. Johnson left in 1989 in which normal retirement was at 55 years of age with ten years of service, or 62 years of age with 25 years of service. The definition of member included language stating that future benefit increases would not apply to terminated or retired members of the plan. Subsequent changes in benefits did not apply to prior members of the plan. Only COLA's were retroactive, and those only to plan members who were already retired. Mr. Christiansen stated that he saw no basis for the Board having the authority to accept Mr. Johnson's proposal that his benefit be instated as of August 2011 based on current plan provisions. Mr. Christiansen added that neither ordinance allows the Board to start a benefit prior to an application being made. The ordinance clearly

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states benefits start at the time of application. Mr. Christiansen will communicate the Board's position to Mr. Johnson via letter. The Board confirmed that the current practice is at the end of each fiscal year, notify all vested deferred members terminated in that fiscal year of their vested benefit and future obligation to apply when eligible.

Michael O'Toole made a motion that William "Rick" Johnson's benefit is payable effective 8/1/11 and there is no right to retroactive benefits per the wording of the plan and requested the plan's Attorney to notify Mr. Johnson as such. Don Howard seconded the motion. The motion passed 3-0.

6. PLAN FINANCIALS

The Trustees reviewed the disbursements for payment of invoices contained on the Warrant dated April 25, 2013.

Michael O'Toole made a motion to approve the Warrant for payment of invoices as submitted. Michael Hays seconded the motion. The motion passed 3-0.

There were no Benefit Approvals for review..

7. OTHER BUSINESS

Lynn Skinner updated the Board on Salem Trust's change to Sungard's benefit and investment processing system. The Benefit Payment portion has been changed over to the new system and online access is currently available. The new system is paying benefits only by direct deposit or issuing debit cards. Initially two retirees chose debit cards but they are in the process of moving to direct deposit. All of the plan's retirees are on direct deposit.

The Trust Accounting system is slated to be available June 1, 2013. The legacy system will be changed over as of May 31, 2013 and will be available on line through August 30, 2013. The annual statement will be in two parts; one part, October 1, 2012 through May 31, 2013 from the legacy system and the other part from, June 1, 2013 through September 30, 2013 from the new system.

Chairman Michael O'Toole brought a letter from Patricia Shoemaker's office regarding Security/Confidentiality of Information to Mr. Christiansen's attention. Mr. Christiansen advised that this was for the City to complete and send to the State. Mr. O'Toole will forward to the City Clerk.

Mr. O'Toole also inquired about a letter from the US Department of Commerce requesting census data. Mr. Christiansen advised that participating in the census is voluntary and the Board is not obligated to provide the information.

8. NEXT MEETING

The Trustees previously scheduled their next quarterly meeting for July 25, 2013 at 5:00 PM.

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9. ADJOURNMENT

**There being no further business, a motion was made by Don Howard to adjourn.
Motion seconded by Michael O'Toole. Motion carried 3-0.**

The meeting was adjourned at 6:25 PM.

Respectfully submitted,

Michael Hays, Secretary