

City of Gulfport Firefighters' Retirement Pension Fund

Minutes: Meeting of January 23, 2014

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 4:43 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
Brian Campbell
Michael Hays

OTHERS

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

3. PUBLIC COMMENT – None.

4. APPROVAL MINUTES

Brian Campbell made a motion to approve the minutes of the October 24, 2013 meeting as submitted. Michael Hays seconded the motion. The motion passed 3-0.

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

Mr. Evatt noted that the good performance for the fourth quarter of 2103 is typical of the last quarter of the calendar year. The economy is doing better, and equities performed well; however, fixed investments did not yield a positive return. With flat inflation and no significant rise in interest rates, the fixed market is struggling to produce positive returns. While domestic equities outperformed international for the quarter, the developed international equity market was up 23% for the year.

The fund broke the \$3M mark this quarter, with income of \$22,696.00. The \$160,028 increase in the value of securities was the significant contributor to the increase in total value this quarter. The quarterly return of 6.33% exceeded the benchmark return of 5.66%. The domestic equity performance at 10.14% was in line with its benchmark at 10.10%. International equity at 7.70% is significantly over its benchmark of 4.81%.

Mr. Evatt advised the Board that the recent news of the departure of PIMCO's CEO was not expected to have a significant effect on the PIMCO Total Return Fund as it is a separately operated fund in the PIMCO group. The Bogdahn Group will monitor and advise of any signs of negative impact. The PIMCO investment is 35% of the portfolio, and could be a candidate for rebalancing. Mr. Evatt will bring in some candidates for the next meeting for the Board to consider rebalancing the portfolio.

In reviewing the Compliance Checklist, Mr. Evatt noted that the only 'nos' are with Dana, and they are actually very close to a 'yes', with only the 5 year period not being in the 40th percentile.

Mr. Evatt distributed a draft of a revised Investment Policy Statement to be discussed at the next meeting. Changes to note are the addition of a few more asset classes, the

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elimination of TIPS as an asset class, and language changes to bring the IPS more in line with language in the Plan's governing ordinance.

5. ACTUARIAL VALUATION (Patrick Donlan, Foster & Foster)

Mr. Donlan advised the board that the Actuarial Valuation reflected only a slight increase in the City's contribution; this year the City's portion is 15.3% of payroll; next year it will be 15.7% of payroll. The four year average rate of return came to 8.97% this year, which offset the poor return in 2011. The actuarial value of the assets went from \$2.3M last year to \$2.7M this year. Michael Hays inquired about the effects when the plan returns more than 8%. Mr. Donlan said that if the plan does not meet its target rate of return, the effect is an increase in the City's contribution to the plan. In reviewing the assets versus liabilities, Mr. Donlan noted that no turnover and no deaths contributed to an actuarial loss, but this was largely offset by the investment return. This was the reason for such a small increase in the City's required contribution next year. Mr. Donlan also noted that the actuarial valuation was prepared with the old, pre-"Naples Letter" interpretation. Mr. Donlan then addressed the Unfunded Accrued Actuarial Liability which was at -4.65.% in this valuation. The market value of the fund went from \$2.4M to \$2.8M. General discussion ensued regarding the well funded status of the plan and the letter received from the State last year regarding the plan having an 8% expected rate of return. This is still a matter for the Board's consideration going forward, Mr. Donlan will plan to attend the October meeting to readdress the issue. An experience study was discussed, as was the possibility of reducing the salary increase assumption from 5.5%, and a possible change in turnover rate. Mr. Christiansen noted that the Board had an experience study done in 2010, and changed the mortality and turnover (reduced by 2.2%) assumptions at the time.

Michael O'Toole made a motion to approve the Actuarial Valuation as submitted. Michael Hays seconded. The motion passed 3-0.

Mr. Donlan reported that Foster & Foster had prepared an Actuarial Impact Statement to address the lack of State money not being available to fund benefits. This change affected the COLA of a single retiree.

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

Mr. Christiansen advised the Board of the need to make a declaration of the expected annual rate of return and submit it to the State.

Brian Campbell made a motion that, based on the advice of their investment consultant, the Board has determined that the expected annual rate of return for the fund for the next year, the next several years, and the long-term thereafter, shall be 8% net of investment related expenses. Michael Hays seconded the motion. The motion passed 3-0.

Mr. Christiansen noted that the Ordinance change to remove language regarding volunteer firefighter language had had a first reading by the City Council. Ms. Nolan will follow up to ensure a signed copy of the Ordinance is submitted to the State after the second reading and adoption by the City Council.

Mr. Christiansen reported that in addition to legislation to allow municipalities to add a defined contribution component to their benefit plans, new legislation has been proposed

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under Senate Bill 246 and House Bill 509. This proposed legislation will affect how additional state money can be used, based on the plan's funding ratio. If the plan is less than 80% funded, then the State money must be used to pay down the Unfunded Actuarial Accrued Liability. If the plan is 80% funded or better, the money can be used to improve defined benefits. The League of Cities is not supportive of the legislation. Mr. Christiansen will monitor and advise the Board of developments in the proposed legislation.

7. ADMINISTRATOR REPORT - Pam Nolan, Pension Resource Center

The Board reviewed the upcoming FPPTA calendar for 2014.

8. PLAN FINANCIALS

The Trustees reviewed the Benefit Approvals dated January 24, 2014.

Brian Campbell made a motion to approve the Benefit Approvals as amended. Michael Hays seconded the motion. The motion passed 3-0.

The Trustees reviewed the disbursements for payment of invoices contained on the Warrant dated January 23, 2014.

Brian Campbell 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..

9. OTHER BUSINESS

Lynn Skinner advised the Board that due to the two systems in place last year, retirees will be issued two 1099R's for 2013.

10. NEXT MEETING

The Trustees previously scheduled their next quarterly meeting for April 24, 2014 at 4:30 PM.

11. ADJOURNMENT

There being no further business, a motion was made by Brian Campbell to adjourn. Motion seconded by Michael Hays. Motion carried 3-0.

The meeting was adjourned at 5:50 PM.

Respectfully submitted,

Michael Hays, Secretary