

City of Gulfport Firefighters' Retirement Pension Fund

Minutes: Meeting of October 23, 2014

1. CALL TO ORDER

Michael Hays called a meeting of the Board of Trustees for the Firefighters' Retirement Pension Fund to order at 4:34 PM. Those persons present included:

TRUSTEES

Michael O'Toole
Brian Campbell
Michael Hays
Guadalupe Gagnon (5:02 PM)

OTHERS

Scott Baur, Resource Centers
Scott Christiansen, Christiansen & Dehner
Jack Evatt, The Bogdahn Group
Lynn Skinner, Salem Trust

2. PUBLIC COMMENT

There were no public comments.

3. APPROVAL MINUTES

The Trustees reviewed the Minutes for the meeting of July 24, 2014.

Brian Campbell made a motion to approve the Minutes for the meeting of July 24, 2014. Michael Hays seconded the motion, approved by the Trustees 3-0.

4. QUARTERLY INVESTMENT REPORT

Dana Investment Advisors (John Hamilton)

John Hamilton reviewed the performance of the portfolio managed by Dana for the quarter ending September 30, 2014. He reported that small cap stocks significantly underperformed large cap issues as a rotation out of smaller issues took place during the quarter. He noted that Dana limits the weight to any single position in the portfolio, forcing diversification but adding to performance under the benchmark for the quarter. John Hamlin and Michael O'Toole discussed the performance of Dana in the past when markets did not do well. Mr. Hamlin explained that Dana runs a quantitative screen on the universe of securities, followed by more detailed research of individual companies. Due to these screening criteria, the portfolio favors high quality issues with a value orientation and a more conservative approach to manage risk.

Mr. Hamlin reviewed the details of events during the quarter that impacted the market. He stated that markets had a lot of noise to digest during the quarter. Dana believe the market will continue to see moderate growth, albeit with increased volatility as many of the economies overseas slow further.

Mr. Hamilton also noted the end of the fed tapering of the most recent quantitative easing program.

Quarterly Investment Report (Jack Evatt, Bogdahn Group)

Mr. Evatt reported that plan assets increased from \$3,250,936 on June 30 to \$3,278,969 as of September 30, 2014, due primarily to additional contributions. The plan had substantial gains for the fiscal year, however, increasing from assets of \$2,814,646 as of September 30, 2013. The portfolio returned -1.14% before fees for the quarter ending September 30, compared to -0.70% for the benchmark. For the fiscal year, the portfolio gained 11.66% compared to 10.79% for the benchmark. The fiscal year returns ranked in the top 10% of the peer manager universe, while the 5-year average return of 11.05% ranking in the top 7%.

Jack Evatt stated that Bill Gross, manager of the Pimco Total Return Fund and founder of that company, left the firm resulting in substantial management shifts. The consultant recommends that the plan replace the Pimco Total Return Fund as a fixed income manager for the portfolio as a result. He provided a search with possible replacements for the fixed income manager, in addition to the global fixed income manager search that he provided previously. Mr. Evatt recommends that the Board fund a global fixed income manager with 5% of the plan assets.

To replace the Pimco Total Return portfolio, Mr. Evatt expressed a preference for the portfolios managed by Baird and Dodge & Cox. He noted that Dodge & Cox runs a somewhat more opportunistic management style since the Dodge & Cox portfolio is not duration neutral, yet Dodge & Cox also tends to keep the portfolio more conservatively positioned over time as well. Mr. Evatt also further discussed the global fixed income allocation. He reviewed additional details for global fixed income as a non-correlating asset class. He discussed the differences between the Templeton Global Bond Fund and the Templeton Global Total Return Fund, which consists 2/3 of the Global Bond Fund by assets with 1/3 allocated to further diversification of the portfolio to securities other than foreign sovereign debt. Mr. Evatt explained the added volatility and returns that come with global bonds. He addressed the risk return characteristics for the various manager choices as well, which had standard deviations between fixed income and equity portfolios.

Brian Campbell made a motion to liquidate the Pimco Total Return Portfolio and allocate \$165,000 to the Templeton Global Total Return Fund with the balance to the Dodge & Cox Income Fund. Michael Hays seconded the motion, approved by the Trustees 4-0.

Brian Campbell made a motion to approve the revised Investment Policy. Michael Hays seconded the motion, approved by the Trustees 4-0.

5. Salem Trust (Lynn Skinner)

Ms. Skinner stated that Salem Trust had not requested a fee increase since 2010. The custodian currently charges the plan \$5,000 per year with 3 subaccounts and \$500 for each additional account. Salem Trust now has a \$5,500 minimum annual fee, but the custodian proposes to eliminate any additional fees with a two-year rate guarantee.

Michael O'Toole made a motion to approve the proposed Salem flat fee of \$5,500 inclusive of all charges and guaranteed for 2 years, authorizing Scott Christiansen to draft a contract addendum effective 10/01/14 for a two-year period. Michael Hays seconded the motion, approved by the Trustees 4-0.

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

Scott Christiansen noted that the administrator should provide the fiscal year end report to City Council showing the plan assets as of September 30, 2014. Mr. Christiansen then provided the Trustees with the quarterly meeting dates for 2015.

Mike Hays made a motion to approve the meeting dates for 2015. Michael O'Toole seconded the motion, approved by the Trustees 4-0.

7. ADMINISTRATOR REPORT (Scott Baur, Resource Centers)

Mr. Baur explained the letter from Foster with the proposal by the actuary to meet the GASB 67, GASB 68, and SB 534 reporting requirements. GASB 67 requires the City to include additional footnotes by the actuary for the plan on the 2014 CAFR (Consolidated Annual Financial Report). GASB 68 requires the City to include pension liabilities on the 2015 CAFR. SB 534 requires additional reports by the plan to the Division of Retirement, including projections of the plan performance with returns 2% lower than the assumed rate of investment return. Foster offered to provide an additional report to project plan performance with returns at 2% higher than the assumed rate to present information on behalf of the plan in a fair and balanced manner.

Michael O'Toole made a motion to approve the actuary to provide the GASB 67 disclosures, the SB 534 reporting requirements, and the additional projection of plan performance at 2% greater than the assumed investment rate. Mr. Gagnon seconded the motion, approved by the Trustees 4-0.

Scott Baur provided the Board with details regarding the renewal of the fiduciary liability insurance with Travelers.

Michael Hays made a motion to approve the renewal of the fiduciary liability insurance policy with Travelers. Brian Campbell seconded the motion, approved by the Trustees 4-0.

8. PLAN FINANCIALS

The Trustees reviewed the disbursements for payment of invoices contained on the Warrant dated July 24, 2014.

Michael Hays made a motion to approve the Warrant dated October 23, 2014 for payment of invoices as submitted. Michael O'Toole seconded the motion, approved by the Trustees 4-0.

There were no benefits for approval.

9. OTHER BUSINESS

The Board had no other business to discuss.

10. NEXT MEETING

The Trustees previously scheduled their next regular quarterly meeting for Thursday, January 22, 2015 at 4:30 PM.

11. ADJOURNMENT

There being no further business, Guadalupe Gagnon made a motion was made to adjourn the meeting at 5:50 PM, seconded by Michael O'Toole, and approved by the Trustees 4-0.

Respectfully submitted,

Michael Hays, Secretary