

City of Gulfport Firefighters' Retirement Pension Fund

Minutes: Meeting of October 20, 2016

1. CALL TO ORDER

Don Howard called a meeting of the Board of Trustees for the Firefighters' Retirement Pension Fund to order at 4:40 PM. Those persons present included:

TRUSTEES

Brian Campbell, Chair (arrived 4:28pm)
Don Howard, Secretary
James (Jim) Marenkovic
Michael O'Toole

OTHERS

Scott Baur, Resource Centers
Scott Christiansen, Christiansen & Dehner
Jack Evatt, The Bogdahn Group
Patrick Donlan, Foster & Foster
Greg Peters, Dana Investment Advisors

2. PUBLIC COMMENT

N/A

3. APPROVAL MINUTES

The Trustees reviewed the Minutes for the meeting of July 21, 2016.

Jim Marenkovic made a motion to approve the Minutes for the meeting of July 21, 2016. Don Howard seconded the motion, approved by the Trustees 3-0.

4. REPORTS

9/30/2016 Actuarial Valuation Report (Patrick Donlan, Foster & Foster)

Mr. Donlan reviewed the Actuarial Valuation report which sets forth the contribution rates for the fiscal year ending September 30, 2018. He commented that the total required contribution rate will slightly decrease from 28.4% to 25%. The decrease in contributions is primarily due to higher than expected terminations during the year as well as salary increases being less than expected. Overall the Plan had a slight actuarial gain. Mr. Donlan reviewed the State money and commented that any future excess State money that comes in can be allocated to member's share accounts. He commented that the Plan previously used the State monies from 2003 through 2013 to pay for the 3.14 multiplier change. Also this year since the State money amount slightly decreased, they will need to adjust the multiplier down this year from 3.14% to 3.12%. During this fiscal year the new mortality table was implemented but it had very little effect on the Plan. Lastly he commented that the Plan's funded ratio even after all the assumption changes still remains high at 96.8%.

Michael O'Toole made a motion to approve the September 30, 2016 Actuarial Valuation Report as presented. Brian Campbell seconded the motion, approved by the Trustees 4-0.

Mr. Christiansen explained that the Board needs to set their assumed rate of assumption for next year, the next several years, and the long term thereafter. Mr. Evatt recommended that the Board maintain the current assumption that the plan assets should earn a long term net investment return of 7.75% on plan assets for the next year, the next several years, and the long term thereafter.

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Michael O'Toole made a motion, based on the advice of the Investment Consultant, that the Board expected the plan assets to return 7.75% net of investment expenses for the next year, the next several years, and for the long term thereafter. Don Howard seconded the motion, approved by the Trustees 4-0.

Lastly Mr. Donlan stated that the last time this Plan did an experience study was back in 2010. He is recommending for the Plan to do another study as they should be completed every 4-5 years to make sure that their assumptions are still inline.

Jim Marenkovic made a motion to approve Foster and Foster to complete an experience study, with the fees not to exceed \$6K. Don Howard seconded the motion, approved by the Trustees 4-0.

Investment Manager Report (Greg Peters, Dana Investment Advisors)

Mr. Peters introduced himself and stated that he is the new Florida rep with Dana Advisors. He updated the Board on the portfolio and stated that for the quarter the fund was up 2.09% but it was lagging the benchmark at 3.85%. For the one year the fund is in the same position at 7.98% versus 15.43%. Mr. Peters explained that the underperformance was due to the higher quality holdings in the portfolio that did not perform as well as the lower quality holdings in the recent market place. He reminded the Board that Dana manages a sector neutral portfolio and he reviewed the attributions for the individual holdings that impacted the performance of the portfolio, as well as sales and purchases in the portfolio. Lastly Mr. Peters stated that Dana expects corporate earnings to improve within the next couple of quarters which will help their portfolio.

Quarterly Investment Report (Jack Evatt, Bogdahn Consulting)

Mr. Evatt briefly stated that his firm's name will change as of January 1, 2017, but he does not know the new name as of yet.

Mr. Evatt presented the Board with the September 30, 2016 performance report. He briefly reviewed the market environment during the quarter and noted that international and domestic had strong gains. Mr. Evatt commented that they started the quarter with \$3.5M and ended slightly above at \$3.6M. All allocations are in line with their targets. Mr. Evatt reviewed the Plan's performance for the quarter and noted that the total fund net of fees underperformed the index at 3.13% versus 3.22%. For the fiscal year to date the total fund is behind the index at 7.66% versus 10.62%. He reviewed each manager's performance during the quarter and stated that Dana has no underperformed their benchmark for the last 6 consecutive quarters. Dodge and Cox had higher weightings to corporate bonds which affected their performance and Templeton had another bad quarter with their currency exposure and the expectations that interest rates will increase. With that being said Mr. Evatt is recommending to diversify the Dana equity portfolio by reallocating half of the assets (about \$600K) to an Index fund such as the Vanguard S&P500. This will help reduce the manager risk and exposure. The Trustees discussed the recommendation since Dana historically always offered some downside protection to the portfolio. Mr. Evatt explained that Dana is currently capturing more market downside than historically, where to the point it is affecting their performance.

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Michael O'Toole made a motion to authorize and approve the transfer of \$600K from the Dana large cap equity portfolio and purchase the Vanguard S&P500 index fund. Don Howard seconded the motion, approved by the Trustees 3-0. (note - Brian Campbell was not in the room)

Lastly Mr. Evatt presented the Board with a letter regarding his firm's summary of proposed fee revisions. He explained that his firm has not increased their fees since 2008 and this Board is still paying a flat dollar annual fee of \$15K and the Plan's assets have since doubled. Mr. Evatt presented the Board with 2 proposed fee increase options; a one-time increase of \$1K for a total of \$16K for the next 3 years, or an escalator increase of 2.5% for the next 3 years.

Jim Marenkovic made a motion to authorize and approve the proposed Bogdahn Group fee increase of 2.5% annually (escalator) for the next 3 years effective January 1, 2017. Brian Campbell seconded the motion, approved by the Trustees 4-0.

Attorney (Scott Christiansen, Christiansen & Dehner)

Mr. Christiansen commented that all the Trustees have finally filed their Annual Form 1 Disclosures.

Mr. Christiansen reminded Mr. Baur to send out all the fiscal year end letters and reports to all the appropriate parties, as we do every year after the Actuarial Valuation report is presented approved. Mr. Baur concurred.

Mr. Christiansen stated that we will have the admin expense report reflecting the actual expenses for the fiscal year 2015/2016 at a near future meeting.

Mr. Christiansen confirmed that the Plan received its 2015 State money.

Mr. Christiansen presented the Board with the 2017 meeting dates.

Michael O'Toole made a motion to approve the 2017 meeting dates as presented. Don Howard seconded the motion, approved by the Trustees 4-0.

Mr. Christiansen notified the Board that his office received a disability application for a member and they have started working on the process.

Administrator Report (Scott Baur, Resource Centers)

No report

5. PLAN FINANCIALS

The Trustees then reviewed the disbursements for payment of invoices contained on the Warrant October 20, 2016.

Jim Marenkovic made a motion to approve the Warrant dated October 20, 2016 for payment of invoices. Don Howard seconded the motion, approved by the Trustees 4-0.

6. OTHER BUSINESS

Mr. Baur briefly reviewed the Salem Trust letter notifying their clients that their SSAE 16 Audit was released early this year and their where no findings.

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7. NEXT MEETING

The Trustees previously scheduled their next regular quarterly meeting for Thursday, January 19, 2017 at 4:30 PM.

8. ADJOURNMENT

There being no further business, Michael O'Toole made a motion to adjourn the meeting at 5:58PM, seconded by Jim Marenkovic, and passed by the Board 4-0.

Respectfully submitted,

Don Howard, Secretary