

City of Gulfport General Employees' Pension Fund

Minutes: Meeting of April 28, 2011

1. CALL TO ORDER

Blake Boyer called a meeting of the Board of Trustees for the General Employees' Pension Fund to order at 1:00 PM.

2. Mr. Baur took a roll call of the Trustees present. The Board had a quorum for the quarterly meeting. Those persons present included:

TRUSTEES

Blake Boyer, Chair
Cher Johnson
Marjorie Milford
Stanley Solomons
Bob Williams

OTHERS

Scott Baur, Pension Resource Center
Nathalie Luke, Aon Consulting
Scott Christiansen, Christiansen & Dehner
Lynn Skinner, Salem Trust
Mercedes Perez, City of Gulfport

3. APPROVAL MINUTES

Stanley Solomons noted that the Minutes for January 27 contained the correct spelling of his name, while the Agenda did not. Lynn Skinner stated that she did not attend the meeting of January 27.

Marjorie Milford made a motion to approve the minutes for the meetings of January 27, 2011 as corrected. Bob Williams seconded the motion, approved by the Trustees 5-0.

4. INVESTEMENT REPORT: AON CONSULTING (Nathalie Luke)

Nathalie Luke reported that the assignment of the agreement with Aon to Hewitt had completed. Ms. Luke then provided an overview of the market during the first quarter. She noted that markets proved very resilient during the period, despite events in other parts of the world, as investors focused on the improving economy and prospects for companies domestically. She also noted that cyclical issues tended to outperform during a recovery, so the energy and industrial sectors fared particularly well during the quarter. She indicated the fixed income environment also improved during the quarter, with high yield and corporate debt showing the best performance. The recent action by S&P to put US issued debt on credit watch had no real impact on the market. Rising prices for oil and commodities are now becoming a concern for both increased inflation and slowing economic growth.

Ms. Luke reported that the portfolio returned 3.7% for the quarter compared to 3.28% for the benchmark. The plan had \$10,808,500 of assets as of March 31, 2011. For the fiscal year-to-date, the portfolio returned 9.52% compared to 8.35% for the benchmark. Ms. Luke discussed the recent move by fixed income manager Bill Gross out of Treasuries, as he identified better opportunities in other securities. Ms. Luke then reviewed the performance of the individual investment managers. She stated that an underweight by

Goldman to the energy sector caused the mid-cap manager to underperform. Brandywine, meanwhile, outperformed the benchmark after lagging the index in prior quarters. The international funds performed in line with their benchmarks. Because the individual fund allocations did not exceed the benchmark guidelines, Ms. Luke did not rebalance the portfolio during the quarter. She explained that most of the performance for the portfolio above the benchmark resulted from asset allocation more than individual manager performance.

Ms. Luke proposed a new allocation to the Pimco All Asset Fund to add some exposure to additional asset classes and further diversify the portfolio. Aon prefers multi-asset class managers to allocation to individual asset classes such as TIPS. The Pimco All Asset Fund has a moderate risk profile, operating as a “fund of funds” invested in other Pimco portfolios using a quantitative model that drives the allocations to the component asset classes. Pimco, using their own managers, does not layer additional manager fees in the “fund of funds” approach, so the recommended portfolio had an overall management fee of 87 bp. Ms. Luke recommended a 5% allocation, with a corresponding revision to the Investment Policy asset allocation. Ms. Luke also revised the language in the Investment Policy regarding procedures for rebalancing the portfolio to increase flexibility. The Board discussed the recommended changes to the Investment Policy.

Bob Williams made a motion to move 5% of the plan assets from the Pimco Total Return Fund to the Pimco All Asset Fund as recommended by the consultant. Blake Boyer seconded the motion, approved by the Trustees 5-0.

Cher Johnson made a motion to approve revisions to the Investment Policy. Blake Boyer seconded the motion, approved by the Trustees 5-0.

Blake Boyer made a motion to authorize Nathalie Luke to continue to rebalance the portfolio when indicated by the Investment Policy. Bob Williams seconded the motion, approved by the Trustees 5-0.

5. ATTORNEY REPORT: SCOTT CHRISTIANSEN

Scott Christiansen reminded the Trustees that the annual Form 1 Financial Disclosure must be filed by July 1. The Trustees could incur penalties if they fail to file.

Mr. Christiansen then reviewed pending legislation in Tallahassee that would affect the Pension Fund. He reported that many of the proposed changes primarily address FRS, Chapter 175 Fire, and Chapter 185 Police plans. SB1128, however, would redefine compensation to limit overtime hours, lump-sum payouts of accumulated sick leave, and lump-sum payouts of accumulated vacation time in the calculation of a final average salary. He said that the final impact of any proposed changes would not be known until after the end of the legislative session. The changes would take effect on the later of July 1 or the start of the next bargaining unit contract. Scott Christiansen commented on some possible impacts of the legislation that had not been carefully considered. For instance, employees might now run out their sick and vacation time as opposed to accumulating the hours, resulting in higher payroll costs in the short-term.

6. ADMINISTRATOR REPORT (Scott Baur)

Mr. Baur abbreviated his report due to time constraints with a budget meeting at the City.

7. PLAN FINANCIALS

The Trustees discussed vested deferred members of the plan. Bob Williams stated that Robert Damico received a refund of contributions previously, so the member should not also receive a benefit at future eligibility. A calculation for Mr. Damico by Foster appeared on an invoice for payment, where Foster determined that the member should be due an additional amount in the lump-sum payment. According to Bob Williams, the former member of the plan may now be deceased as well. Mr. Williams indicated that he would forward any information that he had available regarding the member to the administrator. The Trustees also indicated that future payments to Salem Trust for custody services, automatically deducted from the investment portfolio, should appear on the Warrant for approval of payments for invoices. The Trustees questioned why Foster billed a \$75 charge to calculate a refund to former member Chris Seefeldt.

Marjorie Milford made a motion to approve the Warrant dated April 28, 2011 for payment of invoices, with the exception of the \$75 charge by Foster for a refund calculation for Chris Seefeldt. Bob Williams seconded the motion, passed by the Trustees 5-0.

The Trustees reviewed benefit approvals for members of the plan.

Bob Williams made a motion to approve the benefits for Brenda Hensley, Edward Jemison, Allen Smith, and Darrel Hill. Blake Boyer seconded the motion, passed by the Trustees 5-0.

Bob Williams made a motion to approve the refunds of contributions for Myra Schwarz and Seth Thayres. Blake Boyer seconded the motion, passed by the Trustees 5-0.

8. OTHER BUSINESS

At the request of some of the Trustees, the Board discussed local pension conferences and opportunities for continuing education available to the Trustees. The Trustees raised concerns about the high cost for membership, conference fees, and other related conference expenses for Trustees attending the FPPTA. The Trustees also discussed the CPPT (Certified Public Pension Trustee) designation offered by the FPPTA.

Bob Williams made a motion to table the issue of attendance at conferences at continuing education to the next Agenda. Blake Boyer seconded the motion.

Scott Christiansen provided revisions to the Operating Rules and Procedures to reflect the changes to the actuarial assumptions adopted by the Board in January, including the RP2000 mortality table and the 7.5% assumed rate of investment return.

9. ADJOURNMENT

There being no further business and the next meeting having been previously scheduled and approved for July 28, 2011, a motion was made to adjourn the meeting at 2:55 PM.

Respectfully submitted,

Margaret Palmisano, Secretary