

City of Gulfport General Employees' Pension Fund

Minutes: Meeting of April 26, 2012

1. CALL TO ORDER

Blake Boyer called a meeting of the Board of Trustees for the Gulfport General Employees' Pension Fund to order at 1:07 PM. Those persons present included:

TRUSTEES

Blake Boyer, Chair
Margaret Palmisano, Secretary
Cher Johnson
Margaret Milford

OTHERS

Scott Baur & JC Louissaint, Pension Resource Center
Scott Christiansen, Christiansen & Dehner
Nathalie Luke, Aon Hewitt Consulting

TRUSTEES NOT PRESENT

Bob Williams
James Beane

2. APPROVAL OF MINUTES

Margaret Palmisano made a motion to approve the minutes of the January 26, 2012 meeting as submitted. Blake Boyer seconded the motion. The motion passed 4-0.

3. INVESTMENT REPORT (Nathalie Luke, Aon Hewitt Consulting)

Ms. Luke noted the market commentary was not yet ready for March 31, 2012. She also noted that she left the requested asset collection study in the office, but she indicated that she would discuss the objectives and analysis. The report studies ways to maintain returns with reduced volatility. Ms. Luke discussed the market environment during the quarter: The financial and tech sectors were strong, while defensive issues underperformed. Foreign equities also had a strong quarter, particularly emerging markets. Lower credit bonds and corporate bonds, meanwhile, outperformed government bonds. In Europe, continuing concerns over debt for Spain & Italy became more prominent in the news, rather than Greece. Europe is still on the brink of another recession due to the debt issues and austerity measures. US companies, on the other hand, continued to show strong earnings. Despite record earnings, business growth remains very moderate in the US. The Board discussed the future of defined benefit plans.

Ms. Luke reported plan assets returned 8.55% for the quarter compared to and 6.68% return for the index. For the fiscal year to date, the plan had returns 14.32% as of March 31 compared to 13.12% for the index. The plan had total assets of \$10,866,981.00 as of March 31, 2012. Ms. Luke discussed the benchmarks used to evaluate manager performance. She also discussed the Pimco All Asset Fund, a tactical fund of funds managed by Pimco. The fund does layer some extra fees as a fund of funds, but Ms. Luke noted that the fund still had a reasonable expense ratio. The fund adds an inflation hedge to the portfolio as well. The Dodge & Cox stock fund also had strong relative performance for the quarter. This fund tends to hold individual issues for a very long time. The Growth Fund of America was replaced with Nuveen Winslow Fund during the

quarter. Weak stock selection and a higher cash position caused the Vanguard Cap Opportunity to under perform.

Ms. Luke noted that as of April 23, 2012 the asset allocation for the plan was rebalanced to the target allocation. Ms. Luke considered the asset allocation for the plan, with the objective to maintain returns while reducing volatility at the same time. She discussed additional asset classes such as high yield bonds and Real Estate Investment Trusts (REITs), as well as increasing the current allocation to the Pimco All Asset Fund. These moves will reduce the current exposure that the plan has to equities. She also discussed incorporating index funds and increasing the current allocation to foreign equities. Scott Christiansen asked if the plan could invest in a real estate fund, as opposed to REITs. Ms. Luke responded that only liquidity might pose an issue, as well as any minimum investment requirements. The current Policy prohibits direct investment in real estate or real property. The Board considered the limitations on the investments described in the current Investment Policy. The alternative asset allocation models provided by the Investment Consultant improved the risk profile for the portfolio. The Board will continue to consider asset allocation on the agenda for the next meeting.

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

Mr. Christiansen reported that the proposed ordinance has been sent to the City. The City Manager had not yet received the Impact Statement indicating the ordinance had no funding impact on the City. In fact, the proposed ordinance would have a positive impact by implementing mandated benefit reductions related to the inclusion of sick and vacation hours in the final average salary calculation.

Mr. Jemison attended the last meeting to appeal the deferred payment of his pension benefit. Mr. Jemison did not respond to the letter, however, formally notifying him of the Board's decision on the matter.

Scott Christiansen then reminded the Board that the Trustees must file their annual Financial Disclosure form by July 1. The new Trustees must also file an initial financial disclosure form, while the Trustees that departed from service on the Board must file a final financial disclosure form.

The administrator sent the letter to the State regarding the expected returns, addressed by the Trustees at the last meeting. Mr. Christiansen stated that legislation pending before the state legislature did not pass during the session. He noted that retired member James Vice does not appear to be subject to forfeiture of his pension based on the current allegations brought against him. The crimes that Mr. Vice allegedly committed did not connect in any way to his service as an employee of the City of Gulfport. Mr. Christiansen also provided the Board with copies of the forfeiture provisions contained in Florida Statute, along with the related plan provisions. New statutes regarding pension forfeitures took effect on and after October 1, 2008; the alleged offenses committed by Mr. Vice occurred in 2005 and did not involve any abuse of his office or position at the City.

Marjorie Milford asked if plans ever consider the purchase of annuities to offset the investment risk borne by the plan. Ms. Luke responded that current interest rates on

such investments were too low to make their use viable as an additional asset class or investment vehicle for the plan.

5. ADMINISTRATOR REPORT: Scott Baur (Pension Resource Center)

The administrator distributed hard copies of the updated Summary Plan Description to the Trustees. The Board discussed the manner of distribution for the Summary Plan Description to the members as well. The Board then considered the ballot procedures for the recently completed Trustee election. Ms. Palmisano stated that she had the final election ballots completed by the members, which she would provide to the administrator. Mr. Baur advised that PRC will also supply hard copies to the City.

Cher Johnson then inquired about the benefit to Francine Whitten. Mr. Baur explained that the member data received from the City had only the hire dates for the employees, but some of these employees started part time originally with the City affecting the service used to calculate pension benefits. He experienced similar issues with both Francine Whitten, a recent early retiree, and James Vice. The hire date and service for each of these members was corrected during the review process between the administrator and the actuary before issuing a final benefit calculation. Mr. Baur inquired if the City could review and provide corrected hire dates for employees that started employment at the City part time, noting the apparent prevalence of the issue. Cher Johnson advised that these records only existed in the hard copies of employee personnel files, as opposed to some other system or tracking maintained by the City.

Ms. Johnson attended the FPPTA Trustee School in February; she provided the Board with a brief summary of the topics covered at the FPPTA.

The Board asked about an update on the calculation of benefits for vested deferred members. Mr. Baur indicated that he was working on the calculations, but the process was not yet complete.

6. PLAN FINANCIALS

The Trustees reviewed the Warrant dated April 26, 2012 for payment of invoices.

Blake Boyer made a motion to approve the Warrant for accounts payable dated April 26, 2012. Margaret Palmisano seconded the motion, passed 4-0.

The Trustees reviewed the Benefit Approvals.

Margaret Palmisano made a motion to approve the Benefit Approvals as amended. Blake Boyer seconded the motion, which carried 4-0.

7. OLD BUSINESS

The Trustees had no additional old business for discussion.

8. NEW BUSINESS

The Board had no further new business items to discuss on the Agenda.

9. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, July 26, 2012 at 1:00 pm.

10. ADJOURNMENT

There being no further business, a motion was made and seconded to adjourn the meeting at 2:35 PM. The motion passed 4-0.

Respectfully submitted,

Margaret Palmisano, Secretary