

City of Gulfport General Employees' Pension Fund

Minutes: Meeting of July 26, 2012

1. CALL TO ORDER

Margaret Palmisano called a meeting of the Board of Trustees for the Gulfport General Employees' Pension Fund to order at 1:00 PM. Those persons present included:

TRUSTEES

Margaret Palmisano, Secretary
Cher Johnson
Marjorie Milford
Bob Williams
James Beane

OTHERS

Scott Baur & Pam Nolan, Pension Resource Center
Scott Christiansen, Christiansen & Dehner
Lynn Skinner, Salem Trust
Nathalie Luke, Hewitt Ennis Knupp Consulting

TRUSTEES NOT PRESENT

Blake Boyer, Chair

2. APPROVAL OF MINUTES

Bob Williams made a motion to approve the minutes of the April 26, 2012 meeting as submitted. Marjorie Milford seconded the motion. The motion passed 5-0.

3. INVESTMENT REPORT (Nathalie Luke, Hewitt Ennis Knupp Consulting)

Ms. Luke noted she had an investment review for the first quarter of 2012 and an asset allocation study to present to the Board. Ms. Luke stated equities had weak return for the quarter as concern about Europe and the global economy took center stage. The US economy has seen more muted growth. Yields on treasuries continue to fall. Equities had negative returns for the quarter ending June 30, 2012 although value stocks fared better than growth stocks. Hewitt Ennis Knupp still expects volatility going forward with slower domestic growth. Hewitt Ennis Knupp does not recommend any change to the current portfolio or allocation.

The portfolio lost 1.71% for the quarter, compared to a loss of 1.14% for the benchmark. For the fiscal year to date, the portfolio had a return of 12.34% compared to 11.83% return for the benchmark. The total portfolio has assets of \$10,628,890 as of June 20, 2012. Ms. Luke then discussed performance of the individual mutual fund components of the portfolio. Nuveen Winslow had the weakest relative performance for individual manager components due to technology weighting in their portion of the portfolio. Returns in the report are all net of fees.

Ms. Luke briefly discussed cash balances and rebalancing procedures for the portfolio. Ms. Skinner explained that Salem Trust would send a cash request to Ms. Luke, and she would forward instructions to the administrator.

Ms. Luke then reviewed the Asset Allocation study. She went over the process that Hewitt Ennis Knupp uses to select asset classes and then model sample portfolios. Three portfolio alternatives were tested. She then covered expected returns for the

portfolio options for one, three, five and ten year horizons. Since the third option included a larger allocation to foreign securities, she recommended another option with a smaller allocation to foreign securities until volatility in the market subsides. Ms. Luke then explained holdings in REITS compared to real property. She believes the plan would be better served by a REIT allocation with the available assets to fund a new allocation or strategy. She recommended option two, which is an index strategy dedicated to investment in REITS managed by Vanguard. The specific fund options for a REIT allocation were then reviewed. Vanguard replicates the MSCI US REIT index. The index choices had considerably lower fees than the actively managed alternatives.

Margaret Palmisano made a motion to implement option two as recommended by the Board's investment consultant. James Beane seconded the motion. The motion passed 5-0.

Margaret Palmisano made a motion to select Vanguard REIT as the fund in the above option. Cher Johnson seconded the motion. The motion passed 5-0.

Ms. Luke then called the Board's attention to a revised investment policy for their consideration. Revisions included an increase to the allocation for PIMCO All Asset fund with a new allocation to the Vanguard REIT Strategy fund. The asset ranges for the revised policy provided new target allocations. The Board considered appropriate language for a REIT index allocation as opposed to an actively managed allocation.

Margaret Palmisano made a motion to approve the revised Investment Policy Statement as amended. James Beane seconded the motion. The motion passed 5-0.

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

Scott Christiansen requested a signature block with approval date be added to the Investment Policy Statement which Ms. Hewitt will provide.

Mr. Christiansen again reminded all board members of the state requirement for annual filing of disclosure forms; deadline is September 1, 2012.

Revisions to the ordinance (2012-14) governing the plan went to a first reading on July 17, 2012. These revisions addressed actuarial equivalency, a 7.5% investment return assumption, definition of salary and overtime/sick/vacation pay limits.

No pension-specific legislation was adopted since the last meeting, but Mr. Christiansen indicated legislation (2012-148) did pass with an impact on beneficiary designations. If a member retires with their spouse designated as their beneficiary and then gets divorced, the new law considers the ex-spouse beneficiary to have 'pre-deceased' the member. Mr. Christiansen sees potential issues between the legislation and contract law, such as insurance policies.

Mr. Christiansen mentioned a mini-conference his firm is conducting in Indian Springs; Margaret Palmisano, James Beane and Marjorie Milford plan to attend.

Mr. Christiansen discussed the memo on avoidance of benefit overpayment sent to the Board. He reviewed possible overpayment issues due to problems with missed stop or change dates. Lynn Skinner noted that an annual review of benefit payments is conducted and sent to the administrator for verification; death searches are performed by Salem Trust quarterly and appropriate action is taken in conjunction with the administrator. Scott Baur let the Board know that the list from Salem would have to be passed on to Foster & Foster and Mercedes Perez in the City's HR area to verify as PRC has very few files on retirees.

Mr. Christiansen concluded by mentioning a memo put out by the State Division of Retirement regarding required City contributions. The Division previously made a change to require cities to determine their contribution as a percentage of payroll instead of a flat dollar amount. With payrolls now declining, the Division changed their position and now allows the contribution to be either a designated flat dollar amount or a percentage of payroll.

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

The Trustee list has been updated; the board still has one open citizen seat on the board. The board discussed ways to publicize the opening and solicit nominations.

Scott Baur updated the Board on the vested deferred review he is conducting. Sixty two members have been identified as needing calculations and the calculations have been requested from Foster & Foster. When the calculations are complete PRC will notify the affected members of their benefit and the process to apply for it. Margaret Palmisano confirmed that now when a person terminates their employment with the city they receive a calculation and instructions on making an application for benefits when due.

6. PLAN FINANCIALS

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

Cher Johnson made a motion to approve the Warrant for accounts payable dated July 26, 2012. James Beane seconded the motion. The motion passed 5-0.

The Trustees reviewed the Benefit Approvals.

Cher Johnson made a motion to approve the Benefit Approvals as amended. Marjorie Milford seconded the motion. The motion passed 5-0.

7. OLD BUSINESS

The Trustees had no additional old business for discussion.

8. NEW BUSINESS

Cher Johnson would like to attend the next FPPTA Trustee School to be held October 7-10, 2012 in Bonita Springs.

Margaret Palmisano made a motion to authorize Cher Johnson's attendance at the FPPTA Trustee School. James Beane seconded the motion. The motion passed 5-0.

9. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, October 25, 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