

City of Gulfport General Employees' Pension Fund

Minutes: Meeting of October 24, 2013

1. CALL TO ORDER

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

2. ROLL CALL

Those persons present included:

TRUSTEES

Blake Boyer, Chairman
John Lapham
Marjorie Milford
Bob Williams

OTHERS

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

TRUSTEES NOT PRESENT

Margaret Palmisano
Paul Rousseau

3. PUBLIC COMMENT - None.

4. APPROVAL OF MINUTES

Blake Boyer made a motion to approve the minutes of the August 27, 2013 meeting as amended. Bob Williams seconded the motion. The motion passed 4-0.

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

Ms. Luke reported solid returns for all market sectors in the third quarter of 2013, despite concern about possible interest rate increases from the Fed, the debt ceiling, and the economy in general. In reviewing the market segments, Ms. Luke noted that small cap outperformed in domestic equities, and growth stocks outperformed value. Foreign equity market return was better than US equities. Fixed investments, despite volatility in yields, had a positive return this quarter, as opposed to an overall negative return in the previous two quarters of 2013.

Ms. Luke reported the fund returned 4.96% in the third quarter of 2013, compared to the benchmark performance of 3.62% for the same period. For the fiscal year 2013, the fund achieved a 12.95% rate of return versus the benchmark return of 10.35%. In reviewing individual manager performance, Ms. Luke noted that PIMCO had a good turnaround from a negative return last quarter, and Dodge & Cox far outperformed their benchmark. The REIT index lost ground for the quarter, but did return higher than the benchmark. Mr. Christiansen noted that the one, three, five and ten year returns were all above the plan's 8% target rate of return, even with 2008 in the mix; yet the State is advising 8% is an unrealistic rate of return. Ms. Luke noted that the assets used for the September 30, 2013 balances were estimated due to the September 30, 2013 statements not being finalized when the report was assembled.

In reviewing the asset allocation, there is a slight emphasis on the equity side due to concerns regarding the fixed/bond market. The allocation is still in line with the policy statement and no changes are called for at this time. The prospects for the 4th quarter are good and the Actuarial Valuation will benefit from the positive investment experience. Blake Boyer noted the better the numbers, the better the employees' morale.

Ms. Luke advised the board that her firm was evaluating their fee structure for all clients under \$50,000 in fees. She regretfully informed the Board that the fees would need to be increased or they would need to look for another investment consultant. Ms. Luke proposed a two stage increase; in 2014 the fees would increase by \$10,000 to \$35,000, and in 2015 increase by \$15,000 more the \$50,000 level. The timing would be after the December 31, 2013 report. After some discussion, the Board moved to authorize Mr. Christiansen to issue a request for proposal to various pension plan investment consultants.

Blake Boyer made a motion to authorize Scott Christiansen to issue a Request for Proposal for Investment Consulting Services. Bob Williams seconded the motion. The motion passed 4-0.

The Board expressed regret at losing Ms. Luke's services and noted the plan is in a much healthier state than it was in the early days of her twenty years with the plan.

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

Mr. Christiansen reviewed the proposed meeting dates for 2014, which met with the Board's approval.

Mr. Christiansen noted that Margaret Palmisano's term expired October 1, 2013 and an election was in order. Ms. Nolan will work with Ms. Palmisano or Mercedes Perez on an election. Mr. Christiansen also noted that the Board still has a vacant position for a City-appointed Trustee. The position could be filled by the City Council with an employee of the City as long as they are a legal resident of the City.

Mr. Christiansen advised that the City Council is to receive a copy of the Plan's fiscal year end report from the investment consultant. Ms. Nolan will forward to the City for submission to the City Council.

Mr. Christiansen inquired on the status of the City's reimbursement of the Waiver of Recourse premium for the Fiduciary Liability Insurance. Ms. Nolan submitted it to Terri Gould October 1, 2013. Bob Williams will follow up.

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

Ms. Nolan presented a letter from Vested Deferred participant Caroline Houpt (nee Fleisher) requesting a lump sum payout of her benefit in the amount of \$662.64.

Blake Boyer made a motion to authorize a lump sum benefit payout in the amount of \$662.64 to Caroline Houpt. Bob Williams seconded the motion. The motion passed 4-0.

At the July meeting, the Board requested that Ms. Nolan research some charges that appeared to be duplicates on Foster & Foster invoices. Ms. Nolan reported that the Wamhoff charges were due to an original calculation request when the Vested Deferred 'project' was started in July of 2012 and a second calculation in October of 2012 when Mr. Wamhoff requested a calculation for early retirement. The Landers charges were for an original calculation request in July of 2012 and a subsequent calculation to include a Joint Annuitant (unknown at the time of the original request) for Mr. Landers' benefit. The original Gorman charge in July 2012 was for Tina Gorman, the charge on the October 12, 2012 invoice was for Lawrence Gorman (first names are now being included on the invoices).

Ms. Nolan provided the Board with information regarding the upcoming Financial Seminar in Punta Gorda on December 6, 2013.

7. PLAN FINANCIALS

The Trustees reviewed the Warrant dated October 24, 2013 for payment of invoices.

Blake Boyer made a motion to authorize the Warrant as presented. Bob Williams seconded the motion. The motion passed 4-0.

The Trustees reviewed the Benefit Approvals dated October 24, 2013.

Marjorie Milford made a motion to approve the Benefit Approvals as presented. Bob Williams seconded the motion. The motion passed 4-0.

8. OLD BUSINESS

The Trustees had no old business for discussion.

9. NEW BUSINESS

Lynn Skinner of Salem Trust advised the Board that they had been experiencing more challenges from the system conversion than originally anticipated. They have brought in a specialized consulting team to address the situation. It is anticipated that the final statements for September will be produced in the coming week and the Annual statements for the close of the fiscal year after that. She passed on their President & CEO's apologies for the problems and reporting delays. Ms. Skinner advised that invoices for the third and fourth quarter of 2013 will reflect a fee discount for the delays.

Mr. Christiansen addressed details in the letter from the State accepting the Plan's 2011 Actuarial Valuation regarding updating the mortality assumption table, and inclusion of the balance of accumulated employee contributions with interest in future valuations. He noted that the mortality table was updated with the 2012 Actuarial Valuation and the plan does not pay interest on employee contributions.

10. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, January 23, 2014 at 1:00 pm.

11. ADJOURNMENT

There being no further business, a motion was made by Blake Boyer and seconded by Bob Williams to adjourn the meeting at 1:58 PM. The motion passed 4-0.

Respectfully submitted,

Margaret Palmisano, Secretary