

City of Gulfport General Employees' Pension Fund

Minutes: Special Meeting of January 23, 2014

1. CALL TO ORDER

Blake Boyer called a Special Meeting of the Board of Trustees for the Gulfport General Employees' Pension Fund to order at 11:30 AM. The purpose of this meeting was to hear presentations from the three finalists for the open position of Investment Consultant to the Board.

2. ROLL CALL

Those persons present included:

TRUSTEES

Margaret Palmisano
Bob Williams
Marjorie Milford
Blake Boyer

OTHERS

Pam Nolan, Pension Resource Center
Scott Christiansen, Christiansen & Dehner
Frank Wan & Mitchel Brennan, Burgess Chambers & Associates
Jack Evatt & Mike Welker, The Bogdahn Group
John McCann & Brendon Vavrica, Thistle Asset Consulting

TRUSTEES NOT PRESENT

John Lapham
Paul Rousseau

3. INTRODUCTION

Mr. Christiansen recapped from the previous Special Meeting on December 16, 2013, that the Board had selected three firms to make presentations, out of the five firms that responded to the Request for Proposal reviewed in that meeting. Today, each of the three finalists would be called, in turn, to make a presentation to the Board and address any questions in a thirty minute period.

4. PRESENTATION FROM BURGESS CHAMBERS & ASSOCIATES

Frank Wan introduced himself and Mitchel Brennan to the Board. BCA was established by Burgess B. Chambers in 1988 to meet a need for independent fiduciary responsibility for pension funds and is the oldest pension investment consulting business in the state. BCA is based in Orlando, FL and serves 73 plans in Florida, with a few other plans in Alabama and Tennessee. They are flat fee based, and currently monitor roughly three billion dollars in assets. Plans they handle range from \$250M to \$4.5M in assets. Their goal is to invest with the highest probability of reaching at least a 7.5% return with the least risk. Mr. Wan noted that the plan's rate of return, in the 12th percentile is excellent. Mr. Christiansen requested they address the plan's position in all mutual funds. Mr. Wan commented that this has been a good practice for the plan, and should be continued with a few changes to rebalance the portfolio. Marjorie Milford asked what percentage of change they are recommending. Mr. Wan estimated about 10% to a maximum of 15%, keeping in the mutual fund arena.

5. PRESENTATION FROM THE BOGDahn GROUP

Mike Welker and Jack Evatt from The Bogdahn Group addressed the Board. The Bogdahn Group provides independent financial consulting to public pension plans with a client service philosophy. The oversee roughly \$41 Billion in assets, with 95% client retention and very low turnover in staff. Their goal is to add value via process with execution. Mr. Evatt addressed the plan's current portfolio noting it has done very well up to now. Looking forward, as in all plans, the prospects for income in the fixed sector remains a challenge. There is more volatility in the market, especially in REIT's. Mr. Evatt would consider evaluating private real estate, possibly a core open-end real estate fund. Mr. Evatt presented two proposed future portfolios to the

Board, each of which continued utilizing mutual funds. Mr. Christiansen asked if they foresaw any issues with taking over monitoring of the plan from AonHewitt. Mr. Evatt said with Salem Trust continuing in place as the custodian there would be very little change. The focus would be to provide advice on ways to diversify the portfolio and do as well as current performance but with less risk. Bob Williams noted that The Bogdahn Group currently is the investment monitor/consultant for the Gulfport Police Plan and the Gulfport Firefighters' Plan, and inquired if they have the same investment portfolio. Mr. Evatt said that though they have a couple of investments in common, they do not necessarily maintain any parallel between the two plans. Marjorie Milford asked what percentage of change Mr. Evatt might recommend. He noted that PIMCO Total Return was currently 33% of the Fixed investments and would recommend taking it to 27.%% and putting that portion of the fund into a Real Estate investment, increasing it's percentage of the portfolio from 4.4% to approximately 10%. A discussion of Core Real Estate investments versus REIT's ensued. Blake Boyer asked if there would be an opportunity for a discount in the fee, if they were to handle the General Employee Pension Plan along with the City's Police and Firefighters' plan. Mr. Welker noted that while he felt that \$25,000 was a good deal, he did not want fees to be a factor and that the Board could contact him to explore negotiations on fees. A flexible schedule would be a factor in a potentially lower fee.

6. PRESENTATION FROM THISTLE ASSET CONSULTING

John McCann introduced himself and Brendon Vavrica to the Board. Mr. McCann started his career with pension plans as an actuary in 1989 and moved into Performance Measurement. He founded Thistle Asset Consulting in 2006 by purchasing the firm he had been with since 1989. The firm is based in Jacksonville, has roughly \$3.6 Billion in assets with 35 clients in Florida (and one in Arkansas) and has a good deal of experience in transitioning new clients. They strive for excellence in client service and research. Mr. Vavrica noted he would be working directly wit the Board. Mr. Christiansen asked him his opinion of the current portfolio being entirely invested via mutual funds. Mr. Vavrica advised that some of their large funds are 80 to 90% invested via mutual funds, and some small funds have no mutual fund investments, citing that there are no restrictions on where the investments are made based on size. He reviewed the sample report noting that they provide smaller, more simple repots and supplement with Morningstar Reports. Their median client size is around \$19M, which is close to the General Employees' fund size. He stressed their focus on increased return, with reduced volatility and cost. Discussion ensued regarding fees, schedule and ability to transition from AonHewitt to them. Mr. McCann advised that Mr. Vavrica would be at every meeting and he would attend on an annual basis. Bob Williams asked if Mr. Vavrica would make any recommendations for the quarter ahead. Mr. Vavrica noted that the portfolio was generally in fine shape, but an area for possible change would be to diversify from the REIT investment, while staying in the Real Estate sector.

7. ADJOURN

The Board moved into the Quarterly Meeting at 1pm and added selecting an Investment Manager from the three candidates presenting, to that meeting's agenda.

Respectfully submitted,

Blake Boyer, Chairman