

City of Gulfport General Employees' Pension Fund

Minutes: Meeting of January 22, 2015

1. CALL TO ORDER

Blake Boyer called a meeting of the Board of Trustees for the Gulfport General Employees' Pension Fund to order at 1:04 PM.

2. ROLL CALL

Scott Baur call roll on behalf of the Board. Those persons present included:

TRUSTEES

Blake Boyer, Chairman
Deanna Doss, Secretary
John Lapham
Dena Lebowitz
Paul Rousseau
Damon Weisz

OTHERS

Scott Baur and Tracie Waight, Resource Centers
Scott Christiansen, Christiansen & Dehner
Patrick Donlan, Foster & Foster
Jack Evatt, Bogdahn Group

TRUSTEES NOT PRESENT

Marjorie Milford

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meeting of October 23, 2014.

Damon Weisz made a motion to approve the minutes for the meeting of October 23, 2014. Deanna Doss seconded the motion, approved by the Trustees 6-0.

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

Scot Christiansen reported that the revised Investment Policy was properly distributed. The Addendum to the Salem Agreement was also provided for execution. An election was in process for the seats currently held by Blake Boyer and Damon Weisz. Gulfport City Council needs to reappoint Margorie Milford as well.

Scott Christiansen then discussed the plan qualification. Ice Miller is currently reviewing the ordinance for any required tax compliance changes. Mr. Christiansen noted that the definition for spouse in the plan would change to comply with current laws.

Mr. Christiansen stated that the exemptions for information to public records law do not apply to a records custodian engaged by the Board unless the City makes a request to the Board to maintain the confidentiality of those records. Mr. Christiansen therefore recommended getting such a letter from the City of Gulfport.

Scott Baur provided the Board with details for an upcoming mini-conference hosted locally by Christiansen & Dehner on March 10, 2015. The Board briefly discussed upcoming educational opportunities available to the Trustees.

6. ACTUARIAL VALUATION (Patrick Donlan, Foster & Foster)

Patrick Donlan reported that he had positive news for the Board. The required contribution for the plan will drop from 22.9% of payroll for the year ending September 30, 2015 to 11.4% for 2016. The City portion of the contribution, meanwhile, drops from 20.2% of payroll to 8.7%. The Pension Fund had an unfunded liability of \$279,000 dropping off the valuation from last year, while the current year has an experience gain that results in a \$39,077 annual funding credit.

Mr. Donlan explained that the plan has a smoothed investment return of 9.47%, providing an experience gain. The 4-year smoothing also has additional unrecognized gains that will provide gains again over the next several years or cushion the plan against investment losses during that time. Mr. Donlan stated that administrative costs for the plan fell slightly from the prior year. The City also used a funding credit from prior years to offset the required contribution for the current year. Contributions to the plan nearly equal the annual distributions, and the Pension Fund has a funded ratio now at 109%. The strong funded status of the plan will provide the City with a \$1,169,734 credit on the 2015 balance sheet as the City implements the GASB 68 reporting requirements.

Mr. Donlan stated that GASB 67 requires the City to note the date for the last experience study, which the Board completed in 2003. Mr. Donlan therefore recommended that the Trustees authorize an updated experience study. He explained that the experience study reviews the assumptions used for the annual valuation. Foster will complete the study for a fee of \$5,000.

Damon Weisz made a motion to accept the annual Valuation dated October 1, 2014. Deanna Doss seconded the motion, approved by the Trustees 6-0.

Dena Lebowitz made a motion to authorize Foster to complete an updated experience study for a fee not to exceed \$5,000. Damon Weisz seconded the motion, approved by the Trustees 6-0.

Jack Evatt recommended that the Board maintain the current assumption that the plan assets should earn a long term net investment return of 7.5% on plan assets for the next year, the next several years, and the long term thereafter.

Damon Weisz made a motion, based on the advice of the Investment Consultant, that the Board expected the plan assets to return 7.5% net of investment expenses for the next year, the next several years, and for the long term thereafter. Dena Lebowitz seconded the motion, approved by the Trustees 6-0

7. INVESTMENT REPORT (Jack Evatt, Bogdahn Group)

Jack Evatt reported that everything international with respect to investments was bad, while everything domestic was good. As a result, the dollar gained strength and domestic interest rates pushed down as money flowed into US markets. He noted that the plan has limited exposure to foreign investments.

The plan had assets of \$14,030,693 as of December 31, 2014, up from \$13,698,778 as of September 30, 2014. Jack Evatt reviewed the asset allocation compared to the target weightings in the Investment Policy. The plan earned a net return of 2.25% for the quarter compared to a return of 2.82% for the benchmark. For the calendar year, the assets earned 7.52% compared to a gain of 8.65% for the benchmark. Mr. Evatt explained that some of the managers do not track well to the benchmark, so the

managers will have periods when they do not beat their respective benchmarks. He reported that the international managers performed well on a relative basis even with losses for the quarter.

The Board briefly discussed the drop in energy prices. Jack Evatt explained the combination of lower demand with slowing economies worldwide, increasing supply primarily due to a stronger dollar, and currency exchange rates.

Mr. Evatt provided manager search information for a global fixed income manager. He stated that global bonds provide greater diversification and reduced exposure to possibly increasing domestic interest rates. The global bonds also typically pay higher yields. He recommended that the Board allocate about 5% of total plan assets to the asset class, taking the assets from domestic fixed income. Mr. Evatt also explained the mechanics of bond investments in general terms.

Mr. Evatt addressed domestic high yield bonds as another possible asset class, along with emerging market bonds. He compared correlations of various bond asset classes to other asset classes. Mr. Evatt reviewed his manager recommendations for global bonds, and he recommended that the Board specifically consider an allocation to either the Templeton Global Bond Fund or the Templeton Total Return Fund. He explained that the Templeton Global Bond Fund invested only in foreign government debt as a subset of the broader holdings for the Templeton Total Return Fund. He reviewed the universe comparisons and rankings for the managers, noting that the global bonds had a more diverse investment universe than stocks. He explained how the addition of global bonds would lower risk or volatility for the overall portfolio, even though as a component the asset class has a higher standard deviation than domestic bonds.

The Trustees considered the expense ratios for the portfolios under consideration. Mr. Evatt recommended the Templeton Total Return Bond Fund over the Templeton Global Bond Fund, since the Total Return portfolio provides greater diversification. He noted that the returns generated by the portfolio come from a combination of currency moves, duration, and yield. About 5% of total plan assets equals an allocation of \$750,000.

Blake Boyer made a motion to invest 5% of total plan assets in the Templeton Total Return Bond Fund, reallocating the assets from the Dodge & Cox Income Fund. Damon Weisz seconded the motion, approved by the Trustees 6-0.

Jack Evatt explained the change to internal control at the Bogdahn Group. The majority ownership of the firm changed, with Mike Welker now owning a majority of the firm. Mr. Evatt explained the change as part of the natural evolution for the firm, as well as a move to ultimately increase employee ownership. The change requires the consent of the Board to comply with SEC regulations. Scott Chirstiansen recommended that the Board consent to the change of internal control.

Blake Boyer made a motion to consent to the Change of Internal Control by the Bogdahn Group. Damon Weisz seconded the motion, approved by the Trustees 6-0.

8. ADMINISTRATOR REPORT (Scott Baur, Resource Centers)

Mr. Baur reported that his firm established the nucleus of a call center in his office. Even though his firm has a strong technology orientation, he understands the pension as a very people-oriented process for the members of the plan. As such, he always wants members of plan calling his office to have a live person to talk to during normal business hours as opposed to voicemail. Administrative staff in his office try to respond or acknowledge all contact from members of plans within 24 hours.

Mr. Baur briefly addressed a memo to his office from Christiansen and Dehner regarding records retention. His office effectively has an indefinite records retention schedule. All administrative staff in his office attend records management seminars coordinated by the State of Florida, and he has had extensive discussions with staff in the state offices as well regarding records retention requirements for the pension plans. Mr. Baur explained that a member of a plan might start work at age 25, retire after 35 years, receive a benefit for another 20 years, and then have a survivor beneficiary for continuation of the benefit for another 10 or 15 years thereafter. As such, the lifecycle of a benefit to a member of the plan often exceeds 75 years or more, requiring maintenance of plan records far longer than the requirements dictated by Florida.

Mr. Baur introduced Tracie Waight from his office.

9. PLAN FINANCIALS

The Trustees reviewed the Warrant dated January 22, 2014 for payment of invoices.

Blake Boyer made a motion to approve the Warrant dated January 22, 2015. Damon Weisz seconded the motion, approved by the Trustees 5-0.

The Board had no benefits for approval during the quarter.

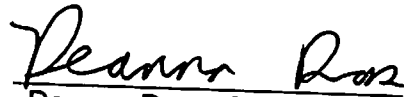
10. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, April 24, 2015 at 1:00 pm.

11. ADJOURNMENT

There being no further business, a motion was made and seconded to adjourn the meeting at 3:00 PM.

Respectfully submitted,


Deanna Doss, Secretary