

City of Gulfport General Employees' Pension Fund

Minutes: Meeting of December 18, 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 1:02 PM.

2. ROLL CALL

Those persons present included:

TRUSTEES

Blake Boyer, Chairman
Deanna Doss, Secretary
Dena Lebowitz
Dwayne Stefanski
Marjorie Milford (arrived 1:10PM)
Paul Rousseau

OTHERS

Audrey Ross, Resource Centers
Scott Christiansen, Christiansen & Dehner
Jack Evatt, Bogdahn Group
Patrick Donlan, Foster & Foster (arrived 1:30PM)
Lynn Skinner, Salem Trust
Patricia Randazzo, Retiree

3. PUBLIC COMMENT

The Board welcomed new Trustee Dwayne Stefanski.

4. APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meeting of July 23, 2015.

Deanna Doss made a motion to approve the minutes for the meeting of July 23, 2015, and Dwayne Sefanski seconded the motion, approved by the Trustees 5-0.

5. REPORTS

Jack Evatt, Bogdahn Consulting

Mr. Evatt presented the Board with the September 30, 2015 quarterly performance report and reviewed the market environment during the quarter. Most sectors were negative and the equity markets posted their weakest return since the third quarter of 2011. Mr. Evatt stated that the Fed's slightly increased the rates recently but nothing significant and domestic is still lagging, but doing better than International. Mr. Evatt reviewed the Plan's return for the quarter and fiscal year ending September 30, 2015. The total fund net of fees for the quarter was down -5.49% versus the index at -3.55% and for the fiscal year the fund was also slightly down net of fees at -1.95% versus 0.29%. Although this fund has made back most of their value that they lost during the quarter within the first two weeks of the new quarter and their long terms numbers are still strong. He reviewed the Plan's sector allocations and discussed how dropping gas prices affected the market. Mr. Evatt reviewed each manager's performance for the quarter and fiscal year and noted that the PIMCO holding is on watch because their performance is not doing well. Bogdahn does have a concern with PIMCO at the moment and will be watching them closely, but he is not recommending taking any action right now. Ms. Lebowitz shared her concern about the Goldman Sachs holding because they have not been performing well and they don't have a lot of international exposure. Mr. Evatt explained why they are trailing the market, but noted that he still feels comfortable with them because since September 30, 2015 they are doing better. Also Goldman Sachs long term performance has a good track record as well. The Trustees had a very

lengthy discussion on the Goldman Sachs fund and its performance, long term and short term. The Trustees concluded that they would like to look at other alternatives, just to see what else is out there and for education purposes as well. Mr. Evatt stated that he will bring back some alternative funds to the next meeting to review and discuss. Ms. Milford question the International sector as a whole and whether or not the Board should consider lowering their exposure because of all the issues that are going on. Mr. Evatt commented that he still thinks International remains an opportunity and domestic equity should be the more area of concern. If anything Mr. Evatt would recommend carving a little more away from the domestic equity and fund a new sector allocation like real estate, which has been doing great. Currently the Plan's ordinance does not allow for direct real estate investment so if this is something the Board is interested in than they would need to have an ordinance change first. Mr. Christiansen stated that he will be draft some ordinance changes soon due to some IRS changes and can add in this change as well. It is not considered a benefit improvement; it is to enhance the portfolios returns. The Trustees concurred.

Patrick Donlan, Foster & Foster

Mr. Donlan reported that he had positive news for the Board. The total required contribution for the plan will drop from 11.4% of payroll for the year ending September 30, 2016 to 7.2% for 2017. The City portion of the contribution, meanwhile, drops from 8.7% of payroll to 5.1%. He noted that the decrease in contributions were due to a net favorable actuarial gain of \$325,681 this fiscal year. Mr. Donlan explained how the fund had a gain this year and noted it was mostly due to the 4 year smoothing effect and lower than expected salary increases. Although turnover was a slight loss to the Plan this year they didn't expect so much. Mr. Donlan reviewed the Plan changes during the year and noted that the recently assumption changes costed the Plan \$455,289. The lowering of the Plan's assumed rate of return from 7.5% to 7.25% is reflected in this report as well as the required change to the mortality table. The Plan's total unfunded liability is at \$636,804, but the Plan still remains very strong at 104.7% funded. Lastly Mr. Donlan reviewed the participant data and noted that there are 66 active employees, 134 retirees/vested deferred members, and 1 death that occurred during the year.

Blake Boyer made a motion to accept the annual Valuation dated October 1, 2015 as presented by the Plan's Actuary. Deanna Doss seconded the motion, approved by the Trustees 6-0.

Attorney Report (Scott Christiansen, Christiansen & Dehner)

Mr. Christiansen stated that Dwayne Stefanski replaced Damon Weisz and John Lapham's election is still in the process.

Mr. Christiansen presented the Board with the 2016 meeting dates.

Blake Boyer made a motion to approve the 2016 meeting dates as presented. Deanna Doss seconded the motion, approved by the Trustees 6-0.

Mr. Christiansen explained that the Board needs to set their assumed rate of assumption for next year, the next several years, and the long term thereafter. Mr. Evatt recommended that the Board maintain the current assumption that the plan assets should earn a long term net investment return of 7.25% on plan assets for the next year, the next several years, and the long term thereafter.

Blake Boyer made a motion, based on the advice of the Investment Consultant, that the Board expected the plan assets to return 7.25% net of investment expenses for the next year, the next several years, and for the long term thereafter. Deanna Doss seconded the motion, approved by the Trustees 6-0.

Mr. Christiansen reminded Ms. Ross to send out all the fiscal year end letters and reports to all the appropriate parties, as we do every year after the Actuarial Valuation report is presented approved. Ms. Ross concurred.

The Trustees discussed the COLA increase recommendation and Plan provisions regarding this process as it is required to be reviewed every 3 years and that time is now. Mr. Donlan explained that he did a historical review of all of the Plan's gains and losses for the last 8 years and there is an average loss of \$900,751. Therefore the Plan is still behind mostly due to 2008 and the outcome is that there will be no COLA increase for 2016. Mr. Donlan estimates that another increase will probably not occur again until 2018 and that is if things keep going how they are now overall, although the Plan is still in good shape thought. The Trustees had a lengthy discussion on the COLA provisions in the ordinance, especially in regards to the "ad hock" COLA language. Mr. Christiansen stated that this language somehow ties into the State language because the last COLA increase that was issued was back in 2006. He commented that the Board can recommend to the City to change this language and discussed other language that can be added. Mr. Donlan stated that if the Board is going to decide to give multiple COLA increases over the years than it needs to be prefunded because than it would be considered an additional benefit because an "ad hock" increase is really only a one time increase only. Mr. Christiansen stated that he would recommend amending the Plan itself to take out the limitations in regards to the COLA and add in a provision that would tie the COLA increases to the CPI. This change could slightly increase the City's costs but it would ultimately add to the Plan's unfunded liability. The Trustees discussed different language that they would like Mr. Christiansen to draft to present to Council in regards to the COLA increases.

Dena Lebowitz made a motion to approve and authorize the Plan's Attorney Mr. Christiansen to draft language to amend the Ordinance regarding the COLA provisions by adding in a 3% COLA increase each year effective January 1, 2016 with a max of 30%, and to also authorize the Plan's Actuary Mr. Donlan to complete an impact statement regarding this change as well. Paul Rousseau seconded the motion, approved by the Trustees 6-0.

Administrator Report (Audrey Ross, Resource Centers)

Ms. Ross introduced herself to some of the Trustees that she did not meet at the last meeting and noted that Mr. Baur had a meeting conflict and could not make it to today's meeting.

Ms. Ross stated that Ms. Skinner from Salem Trust is here today to update the Board on their firm. Ms. Skinner welcomed herself back and stated that she was before the Board today with good news. Salem Trust just received their 2015 SAE 16 Report and she was proud to announce that a clean opinion was issued and there were no findings. They are finally able to move on at this point.

6. PLAN FINANCIALS

The Trustees reviewed the Warrant dated December 18, 2015 for payment of invoices.

Blake Boyer made a motion to authorize the Warrant dated December 18, 2015. Dena Doss seconded the motion, approved by the Trustees 6-0.

The Trustees reviewed the benefit approvals list dated December 18, 2015; the applications for retirement for Morgan John and Cynthia Para.

Blake Boyer made a motion to approve the benefit approvals list dated December 18, 2015. Dena Doss seconded the motion, approved by the Trustees 6-0.

7. OTHER BUSINESS

Ms. Randazzo made a recommendation to the pension board that they should consider revising the pension ordinance to allow retirees to serve on the Board even if they still do live in the City of Gulfport anymore. Mr. Christiansen stated that he will make this revision to the ordinance when he is drafting the IRS changes as well and will bring a draft copy of the revised ordinance back to the Board to review at a later date. The Trustees concurred.

8. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, January 28, 2016 at 1:00 pm.

9. ADJOURNMENT

There being no further business, Blake Boyer made a motion to adjourn the meeting at 2:50 PM. Dena Doss seconded the motion, approved by the Trustees 6-0.

Respectfully submitted,

Deanna Doss, Secretary