

City of Gulfport General Employees' Pension Fund

Minutes: Meeting of April 21, 2016

1. CALL TO ORDER

Blake Boyer called a meeting of the Board of Trustees for the Gulfport General Employees' Pension Fund to order at 1:05 PM.

2. ROLL CALL

Those persons present included:

TRUSTEES

Blake Boyer, Chairman
Deanna Doss, Secretary
Dena Lebowitz
Dwayne Stefanski
Marjory Milford
Paul Rousseau

OTHERS

Audrey Ross, Resource Centers
Cheryl Hannafin, City Finance Director
Jack Evatt, Bogdahn Group
Jim O'Reilly, City Manager
Patricia Randazzo, Retiree
Richelle Hayes, American Realty Advisors
Scott Christiansen, Christiansen & Dehner

3. PUBLIC COMMENT

N/A

4. APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meeting of January 28, 2016.

Deanna Doss made a motion to approve the minutes for the meeting of January 28, 2016. Marjory Milford seconded the motion, approved by the Trustees 6-0.

5. REPORTS

Jim O'Reilly, City Manager & Cheryl Hannafin, City Finance Director

Mr. O'Reilly introduced himself as the City Manager and also introduced Ms. Hannafin who is the new City Finance Director. Mr. O'Reilly explained that he was specifically here today to discuss with the Board the proposed COLA ordinance that will be going in front of the City Commission for approval. He explained that he is not comfortable with the language and the revisions that are being proposed. His concern is that the costs of these changes are being bared by City only and not the pension plan. Mr. O'Reilly commented that currently he is not in the position to recommend this proposed ordinance to the City Commission to approve. Mr. Christiansen stated that it is the pension Board's requirement to review their COLA benefit every 3 years and therefore they are doing that now. The Board thought that since funding requirements were low, now would be a good time to review the benefit and ask for an increase since one has not been issued in 10 years. Ms. Lebowitz expressed her thoughts on the City's growth over the years and thinks now they should share it with the former City employees that worked to get the City where it is today. The City's funding requirements have been decreasing over the last 3 years as well, so maybe now would be a good time to consider this recommendation. Again Mr. Christiansen reminded the Trustees that the COLA was never guaranteed, but rather a consideration from the City. Mr. Boyer and Mr. Stefanski stated that from the active member's side they are not too fond of the idea of retirees getting increasing when they are not getting increases as well. The active members are willing to pay more into their pension, but that is a whole different subject. The Trustees had a very lengthy discussion and ultimately Mr. O'Reilly stated that he is going

to recommend to the City Council to not approve this Ordinance as written and members are more than welcome to attend this meeting and share their thoughts.

Jack Evatt, Bogdahn Consulting

Quarterly Performance Report-3/31/2016:

Mr. Evatt reviewed the quarterly performance report for the quarter ending March 31, 2016. He noted that it was a very volatile quarter but going into April things turned around. We saw a rebound in energy stocks as oil prices increased, but smaller companies were down and bonds remained about the same. During the quarter the Plan got out of Goldman Sachs and moved the assets over to Wells Fargo. Mr. Evatt reviewed the Plan's asset allocation by sector and manager and noted that they are mostly in line with the respective targets except for Real Estate which is over weighted and the alternative investments which are underweighted. For the quarter the total fund net of fees was behind the index at -0.07% versus 2.18% and for the fiscal year to date they are up 3.39% versus the index at 5.31%. He briefly reviewed each managers performance during the quarter and noted that all the domestic equity managers underperformed and fixed income was positive but still behind the index. PIMCO was the only fund that outperformed their relative index during the quarter. Overall the fund is doing very well despite the market place and Mr. Evatt stated that he had no recommendations at this time for changes.

Mr. Evatt stated that American Realty was here today to present their core real estate product which is totally different from REITS, in which the Board is currently invested in now. He would like the board to consider adding core real estate into their portfolio as it helps stabilize the plan and it will also compliment the portfolio.

Richelle Hayes, American Realty Advisors:

Ms. Hayes introduced herself and explained her position at American Realty as the client service rep. She is based out of the Orlando office and has about 84 clients. She reviewed the firm as a whole and noted that they have 10 office locations nationwide with 89 employees and they currently have \$7.3B in total firm assets. They have a total of 339 investors and 154 properties. American Realty is one of the largest private real estate managers as they are a limited partnership and are not publicly traded. American Realty only invests in US real estate and does not participate in the International sectors. Ms. Hayes reviewed the firms risk management and explained that they do not, nor ever had any conflicts of interest or litigation as they are a risk adverse firm.

Ms. Hayes stated that she is here today to specifically review American Realty's core fund. She explained that this is not a liquid asset and it is not valued daily. You can get in and out of this fund on a quarterly notice, although there is currently an incoming queue which is about 1 or 2 quarters. Ms. Hayes reviewed the product and explained the four sectors they invest in; office, industrial, multifamily, and retail. Their occupancy rate remains high at 92.9% and their leverage is only at 20.3%. They issue a quarterly distribution of 1.5%, or it can be automatically reinvested back into the Plan. Ms. Hayes reviewed some of the properties they hold by location, as well as where they are looking to make future purchases. For the one year the fund returned 14.22% versus the index at 14.18% and long term since inception in 2003 they are up 6.33% per year. Ms. Hayes explained that this core fund does not correlate with REITS as this fund is more consistent with less risk. The Trustees had a very lengthy discussion of this product and asked who the insurers where on the properties. Ms. Hayes stated that she did not have that information present with her, but when she gets back to the office she will distribute it to the Board. American Realty's minimum funding requirement is usually \$1M, but since they have a great relationship with Bogdahn they can go down to \$700K-\$750K. Mr. Evatt stated that he would be recommending moving about 5% of the portfolio to American Realty from PIMCO and can eventually go up to 10%. He explained the process of getting into American Realty in that first they would need to get the agreement reviewed and approved by legal counsel. Then once a capital call is made then they would need to move the money. Mr. Evatt commented that he would keep the current

REIT in the plan and take the money from PIMCO as they are currently over weighted anyways. They can always add more to America Realty later on down the road from the REIT. After a lengthy discussion the Trustees decided to move forward.

Blake Boyer made a motion to hire American Realty, authorize Scott Christiansen to prepare/review the contract, and to fund American Realty by transferring \$750K from the PIMCO fund per the Consultant's recommendation. Dwayne Stefanski seconded the motion, approved by the Trustees 6-0.

Attorney Report (Scott Christiansen, Christiansen & Dehner)

Mr. Christiansen presented the Board with the revised summary plan description (SPD). He reviewed the changes that were made to the document since the last one issued in 2014. The Trustees noted that the current Mayor was incorrect.

Marjory Milford made a motion to approve the summary plan description as amended. Blake Boyer seconded the motion, approved by the Trustees 6-0.

Ms. Ross noted that she will send out the revised SPD to all active members.

Mr. Christiansen stated that Ms. Lebowitz term was up in July and therefore she would need to be reappointed by the City. Ms. Ross stated that she will follow up with the City.

Mr. Christiansen reminded the Trustees that their annual Form 1 Disclosures were due July 1, 2016.

Mr. Christiansen stated that there were no pension changes passed during this year's Legislative session; only a public records request change.

Administrator Report (Audrey Ross, Resource Centers)

Ms. Ross presented the Board with an updated Trustee contact list.

Ms. Ross presented the Board with a revised Section 112.664, Florida Statutes Compliance report that was prepared by Foster & Foster. She noted that this report is for informational purposes only and will be filed with the correct departments.

6. PLAN FINANCIALS

The Trustees reviewed the Warrant dated April 21, 2016 for payment of invoices.

Blake Boyer made a motion to authorize the Warrant dated April 21, 2016. Paul Rousseau seconded the motion, approved by the Trustees 6-0.

The Trustees reviewed the applications for retirement for Bruce Haddock and Max Courtney.

Blake Boyer made a motion to approve the applications for retirement for Bruce Haddock and Max Courtney. Marjory Milford seconded the motion, approved by the Trustees 6-0.

7. OTHER BUSINESS

Ms. Lebowitz stated that she recently attended the FPPTA School and found it very beneficial and encourages the other Trustees to consider attending a school in the future as well. She is going to start taking the courses and the corresponding tests to become a Certified Public Pension Trustee (CPPT) and wanted to share this information the Board in case anyone else is interested. Mr. Christiansen stated that this was available to all Trustees on the Board.

8. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, July 21, 2016 at 1:00 pm.

9. ADJOURNMENT

There being no further business, Blake Boyer made a motion to adjourn the meeting at 3:03 PM. Dwayne Stefanski seconded the motion, approved by the Trustees 6-0.

Respectfully submitted,

Deanna Doss, Secretary