

City of Gulfport General Employees' Pension Fund
Minutes: Meeting of January 17, 2019

1. CALL TO ORDER

Blake Boyer called a meeting of the Board of Trustees for the Gulfport General Employees' Pension Fund to order at 1:01 PM.

2. ROLL CALL

Those persons present included:

TRUSTEES

Blake Boyer, Chair
Gail Biron
Larry Cooper
Linda Craig
Marjorie Milford
Carmen Soto-Torres
Dwayne Stefanski

OTHERS

Scott Baur, Resource Centers (Administrator)
Scott Christiansen, Christiansen & Dehner (Attorney)
Jennifer Gainfort, AndCo Consulting (Consultant)
Sara Carlson, Foster (Actuary)
Jim O'Reilly, City Manager
Cheryl Hannafin, Finance Director
Rachel Cataldo, City of Gulfport Employee

3. PUBLIC COMMENT

Rachel Cataldo acknowledged updates and corrections to the Pension Fund web page maintained by the Resource Centers. She stated that she would forward any further corrections to the Resource Centers.

Jim O'Reilly, City Manager, addressed the Trustees regarding a pending ordinance. He expressed concern about the wording for the definition of a General Employee included in the ordinance, since a member of the plan promoted to a department head position can no longer opt out from continued participation. Scott Christiansen clarified the intent of the ordinance language, which he will provide to the City in a Word format

4. BOARD OFFICERS

Scott Christiansen stated that the ordinance requires the Board to designate a Chair and Secretary every two years.

Larry Cooper made a motion to nominate Blake Boyer for Chair and Carmen Soto-Torres for Secretary. Gail Biron seconded the motion, approved by the Trustees 7-0.

5. MINUTES

The Trustees reviewed the Minutes from the Quarterly Meeting of July 19, 2018, with revisions to the public comment section requested at the October 18, 2018 Meeting.

Larry Cooper made a motion to approve the July 19, 2018 minutes as presented. Blake Boyer seconded the motion, approved by the Trustees 7-0.

The Trustees reviewed the Minutes from the Quarterly Meeting of October 18, 2018.

Gail Biron made a motion to approve the October 18, 2018 minutes as presented. Blake Boyer seconded the motion, approved by the Trustees 7-0.

6. REPORTS

Actuary (Sara Carlson, Foster & Foster)

Sara Carlson reviewed the October 1, 2018 Valuation, reporting positive results for the Pension Fund for the fiscal year ended September 30. The City contribution decreased from 3.7% of pay to 2.9% for the fiscal year starting October 1, 2019, due to positive investment experience, mortality, and employee turnover compared to expectations. The overall contribution decreased from 6.4% to 5.6%, but due to required minimum funding at the normal cost the City must continue to contribute 5.4% of covered payroll.

Ms. Carlson reviewed the components of the required contribution. She also explained the 4-year smoothing of investment returns, which resulted in a 7.26% actuarial return compared to the market return for the year of 8.47% and the 7.25% rate assumed by the Board. The Pension Fund will continue to have gains to recognize in the next year, unless the market for the fiscal year ending September 30, 2019 produces an actual loss greater than -2%. The GASB funded ratio increase from 124.4% the prior year to 126.8% for the current year.

Scott Christiansen reminded the Board that the Pension Fund had an overall gain even after the City Council approved a one-time 3% ad hoc COLA for retired members. The COLA had an October 1, 2016 effective date even though the City did not ultimately pass the ordinance until later in 2017. This particular plan appears on the City balance sheet as an asset, as noted in the required GASB 67 footnotes to the City financial statement, due to the strong financial position of the Pension Fund.

Carmen Soto-Torres made a motion to approve the October 18, 2018 minutes as presented. Blake Boyer seconded the motion, approved by the Trustees 7-0.

Investment Consultant (Jennifer Gainfort, AndCo Consulting)

Jennifer Gainfort explained the role of the Investment Consultant and the organization of the quarterly investment report for the benefit of new Trustees serving on the Board. She reported that global markets declined sharply during the quarter and all equity classes posted losses for the period. Only the safest assets had gains for the 2018 calendar year. The S&P 500 Index lost -13.52% for the quarter and -4.38% for the year, due to a combination of trade concerns, lowered earnings expectations, and the extended government shutdown. Value stocks outperformed growth stocks for the quarter. As of January 16, the S&P 500 already regained 3.5% for 2019 and the Barclay Aggregate Bond Index gained 1.6%.

Ms. Gainfort reported that assets decreased from \$16,722,945 on October 1 to \$15,225,631 as of December 31, 2018. The portfolio had a net loss of -8.21% for the quarter compared to -6.6% for the benchmark to finish in the top 29th percentile of the public fund universe. The net 2018 calendar year return of -3.39% finished in the top 16% of the public fund universe, while the net gain of 5.09% for the trailing 5 years ranked in the top 28% of the comparison universe. Ms. Gainfort reviewed the results for each manager. She did not recommend any changes in the portfolio composition or asset allocation to the Board at this time. She provided a brief overview and history for the current manager and asset allocation. The Board most recently added American Realty to provide a direct real estate investment for the Pension Fund.

Attorney Report (Scott Christiansen, Christiansen & Dehner)

Scott Christiansen reported that the City Council had the ordinance for housekeeping changes and required IRC compliance updates for consideration. He also recommended the custodian and the administrator review all benefit payments for stop or change dates to avoid benefit overpayments. His office found stop dates for payments to beneficiaries and change dates for Social Security offset benefit options particularly problematic for some plans represented by his office.

He then advised the Board must affirm the expected return on plan assets for the Division of Retirement.

Dwayne Stefanski made a motion on the advice of the Investment Consultant that the Board expected to achieve a 7.25% return on Pension Fund assets for the next year, for the next several years, and for the long term thereafter. Blake Boyer seconded the motion, approved by the Trustees 7-0.

Mr. Christiansen reviewed a comparison between DROP (Deferred Retirement Option Plan) provisions and PLOP (Partial Lump-Sum Options) provisions for the Board. The Pension Fund currently offers partial lump sum (PLOP) optional forms of benefit payment to members at retirement. The Board expressed an interest in adding DROP provisions, which the City does not object so long as the additional options have no cost impact. The Trustees considered how member DROP Accounts might receive credit for earnings by the Pension Fund. Mr. Christiansen further reviewed the typical DROP Plan provisions. FRS currently credits DROP Accounts with a fixed annual 1.3% interest rate. The Firefighters Pension Fund proposes to credit accounts with a fixed 3% annual interest rate or the actual net investment return on plan assets, allowing members to change earnings methods one time during participation in the DROP.

Dwayne Stefanski made a motion to direct Mr. Christiansen to draft a proposed ordinance to add DROP provisions to the plan. Carmen Soto-Torres seconded the motion, approved by the Trustees 7-0.

Mr. Christiansen reviewed updates and changes to the Board Operating Rules and Procedures. He added proposed rules for Missing Benefit Recipients, clarification of Trustee terms on the Board, and review procedures to identify deceased members. His office provides a template letter for mailing to retired participants as an annual verification that the members are still living, and Salem Trust as custodian of the plan assets also completes periodic death searches against for members receiving payments. The Board considered these verification procedures in greater detail.

Dwayne Stefanski made a motion to approve the updates to the Operating Rules and Procedures. Carmen Soto-Torres seconded the motion, approved by the Trustees 7-0.

Administrator Report (Scott Baur, Resource Centers)

Mr. Baur considered the scheduling of proposed workshops for members of the plan with the Board. He also presented signature authorization updates to the Board for Salem Trust, custodian for the Pension Fund assets.

Carmen Soto-Torres made a motion to update the signature authorizations on file for Salem Trust. Larry Cooper seconded the motion, approved by the Trustees 7-0.

Mr. Baur also stated that he would provide an updated list of conferences and educational opportunities available to Trustees following the meeting. Linda Craig had to depart the meeting due to scheduling.

7. PLAN FINANCIALS

The Trustees reviewed the Warrant for payment of expenses dated January 17, 2019.

Larry Cooper made a motion to approve the Warrant dated January 17, 2019. Dwayne Stefanski seconded the motion, approved by the Trustees 6-0.

The Board reviewed the benefit approval for retired member Paul Rousseau. Due to a question that arose regarding the calculation of his final average salary during processing, Mr. Baur also agreed to copy the City by way of Carmen Soto-Torres on final pension calculations and data provided to the actuary.

Carmen Soto-Torres made a motion to approve the pension benefit for Paul Rousseau. Blake Boyer seconded the motion, approved by the Trustees 6-0.

8. OTHER BUSINESS

The Board had no other business for discussion.

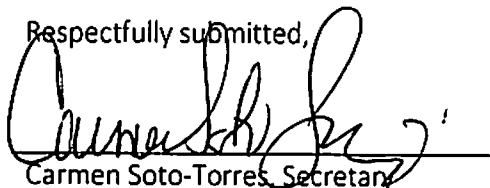
9. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting for Thursday, April 18, 2019 at 1:00 pm.

10. ADJOURNMENT

There being no further business, Blake Boyer adjourned the Meeting at 2:30 PM.

Respectfully submitted,



Carmen Soto-Torres, Secretary