

City of Gulfport General Employees' Pension Plan
Minutes: Meeting of January 21, 2021

1. CALL TO ORDER

Carmen Soto Torres called a meeting of the Board of Trustees for the Gulfport General Employees' Pension Plan to order at 1:05 PM

2. ROLL CALL

Those persons present included:

TRUSTEES

Carmen Soto Torres, Secretary
Gail Biron
Larry Cooper
John McEwen
Marjory Milford
Mark Ottervanger
Dwayne Stefanski

OTHERS

Sara Carlson, Foster & Foster(Consulting Actuary)
Scott Christiansen, Christiansen & Dehner (Attorney)
Dale Everhart, Resource Centers(Administrator)
Jennifer Gainfort, AndCo Consulting (Consultant)

3. BOARD SEAT UPDATE

A. Results of Board Seat Election

Dale Everhart reported the results of the election for the 2 trustee seats which terms expired on 10/1/20. For the seat held by Dwayne Stefanski, the Board received only one nomination, that being for Dwayne Stefanski. Accordingly, Dwayne Stefanski will continue on the Board in the seat that he previously occupied.

The Board received 2 nominations for the seat occupied by Blake Boyer. Margaret Palmisano and Mark Ottervanger were nominated. Mark Ottervanger received the majority of votes cast, and therefore was elected by the active members of the Plan to fill the seat that had been occupied by Blake Boyer.

Both Dwayne Stefanski and Mark Ottervanger will serve terms that will expire on October 1, 2023.

B. Election of Board Officers

Carmen Soto Torres nominated Larry Cooper for Board Chair. John McEwen seconded the nomination, approved by the Board 7-0.

Dwayne Stefanski nominated Carmen Soto Torres for Board Secretary. John McEwen seconded the nomination, approved by the Board 7-0.

4. APPROVAL MINUTES: October 15, 2020

The Trustees reviewed the Minutes from the Quarterly Meeting of October 15, 2020.

Gail Biron made a motion to approve the October 15, 2020 minutes. Marjory Milford seconded the motion, approved by the Trustees 7-0.

5. REPORTS

A. Investment Consultant (Jennifer Gainfort, AndCo Consulting)

Jennifer Gainfort indicated returns were broadly positive for the 4th quarter of 2020. Performance for the quarter was driven largely by expectations concerning the distribution of Covid vaccines, the election resolution, and the possibility of additional government stimulus legislation.

In domestic equities, small cap stocks outperformed large cap stocks. The Russell 2000 Index was up 31.4% compared to the S&P 500 return of 12.1%. This was the Russell 2000's strongest quarterly return since its inception in 1979. Value stocks outperformed growth, with the value indices benefitting from larger exposures to energy and financials. These performed well due to positive news concerning the release of vaccines. Over the past year, growth stocks outperformed value stocks, with the greatest difference where 1000 growth exceeded the 1000 value by over 35%.

International index returns were strong, with emerging markets up 19.7% and developed markets up 16%.

Fixed income returns were soft with the Aggregate up 0.7%, due largely to corporates, which returned 3%. The US Government Bond Index was down -0.8%, due to rising interest rates. The Fed continued to hold short rates near zero, with 10 year rates increasing to above 0.9%.

The market value of the Fund was \$19,001,168 as of December 31, 2020. Rebalancing of assets was recommended due to domestic equities being at the upper end of the target range. Ms. Gainfort recommended moving 3% of the fund from domestic equities to domestic fixed income.

Larry Cooper made a motion to sell \$227,000 from Vanguard Capital Opportunity, \$175,000 from Nuveen Winslow Large Cap Growth, and \$175,000 from Dodge & Cox Stock, and to move the proceeds to the Dodge & Cox Income Fund. Dwayne Stefanski seconded the motion, approved by the Board 7-0.

Ms. Gainfort further recommended that the Nuveen Winslow Large Cap Growth shares be exchanged from I Shares to R6 Shares. This will result in a lower expense ratio, and hence a cost savings for the plan.

John McEwen made a motion to exchange all current I shares of the Nuveen Winslow Large Cap Growth Fund to the R6 share class. Dwayne Stefanski seconded the motion, approved by the Board 7-0.

Asset income and appreciation for the quarter totaled \$1,838,240. Total fund gross return for the quarter was 10.63% vs the total fund gross policy return of 8.43%. The total equity composite returned 16.39% for the quarter, compared to the total fund gross policy return of 15.16%. Ms. Gainfort indicated that the Vanguard Capital Opportunity Fund will be watched more closely over the next few quarters due to performance. The total fixed income composite return for the quarter was 2.69%, compared to the total fixed income policy return of 1.06%. The real estate composite quarterly return was 5.33%, compared to the total real estate policy return of 5.32%. Finally, the total alternative investments composite return was 12.15% for the quarter, and the total alternative investments policy return was 1.84%.

B. Actuary Report (Sara Carlson, Foster & Foster)

Sara Carlson presented the 2020 Actuarial Valuation. She indicated that there was an actuarial gain the past year due to favorable plan experience. The Minimum Required Contribution decreased from 8.0% to 7.9%. The main factor to the reduction in the contribution rate was an update to the actuarial assumptions. Upon Florida Retirement System (FRS) mortality tables being updated, there is a maximum period of 2 years prior to required adoption of those tables to Gulfport General. The adopted new tables are now geared to public plan demographics per FRS.

Another change made for this valuation involved a “fresh-start” for the actuarial asset value. As a result, actuarial investment gains and losses will now be recognized over a five-year period vs the prior method of four-year periods. To make this change, the actuarial value of assets was reset to the market value of assets for this valuation. This change now aligns the investment gain-loss recognition with that required by the Governmental Accounting Standards Board (GASB).

The funded ratio of the plan is 107.4%, meaning assets exceed liabilities, with the plan having a negative unfunded accrued actuarial liability. Among the changes resulting in a net decrease in the unfunded accrued actuarial liability were 1) a rate of return on assets of 8.2% compared to the assumption of 7.25%, 2) a lower than expected salary growth, and 3) assumption and smoothing method changes.

Based on all of the calculations involved in the actuarial valuation process, the City required contribution rate was calculated to be less than the normal cost. State Law requires a minimum contribution equal to the Normal Cost. Hence, the calculated City contribution rate is the Normal Cost of 7.9% less the Member Contribution of 2.7%, for a City contribution rate of 5.2%. Normal Cost is defined as the annual cost attributed for the current year of service, such that at retirement, there are adequate reserves to pay the earned pension.

The Plan is mature and well funded. A question arose as to the possibility of lowering the 7.25% rate of return assumption on assets. This will be discussed at the October 21, 2021 Board meeting while considering the 2021 actuarial valuation.

John McEwen made a motion to approve the Actuarial Valuation as of October 1, 2020. Gail Biron seconded the motion, approved by the Trustees 7-0.

Marjory Milford left the meeting at 2:20 pm.

C. Attorney Report (Scott Christiansen, Christiansen & Dehner)

Mr. Christiansen informed the Board of the requirement to approve a Declaration of Returns pursuant to Section 112.661(9), Florida Statutes. Jennifer Gainfort stated that the rate of return of 7.25% was appropriate.

Larry Cooper made a motion to declare that the Board of Trustees, based on the advice of its investment professionals and/or actuary, determined that the total expected annual rate of investment return for the fund for next year, the next several years and the long-term thereafter, shall be 7.25%, net of investment related expenses. Dwayne Stefanski seconded the motion, approved by the Trustees 6-0.

Mr. Christiansen referenced a State Law requiring employers to use an E-Verify system to identify individuals not able to legally work in the State of Florida. The Board needs to register in the E-Verify

system and all Board consultants also need to be notified that they are to register. This registration of the Board and the notification to all consultants will be done by Resource Centers. Resource Centers will obtain a statement from all Board consultants of compliance with the requirement.

Mr. Christiansen indicated that a Plan change should be considered in that the Internal Revenue Code changed the required minimum distribution age from 70½ to 72, and that the 10% penalty for re-employment after retirement changed from less than age 62 to less than age 59 ½. This penalty does not apply if benefits stop during re-employment. Mr. Christiansen requested permission to construct an ordinance to make these changes to the pension plan.

Dwayne Stefanski made a motion to authorize Internal Revenue Code changes to the Plan in the form of a proposed ordinance, to be provided to the Board at the April, 2021 Board meeting. Gail Biron seconded the motion, approved by the Trustees 6-0.

Marjory Milford returned to the meeting at 2:14 pm.

D. Administrator (Dale Everhart, Resource Centers).

Mr. Everhart presented a Salem Signature Authorization document for signature by all Board members. He informed the Board that this document will permit any 2 Board members or 1 of 3 designated Resource Centers administrators, to execute and direct Salem Trust Company in the conduct of Pension Plan business. All members then signed the document.

Mr. Everhart discussed the successful completion of a System and Organization Control audit, known as a SOC 1 Type 2 audit. This audit is performed on the Resource Centers operations, by an outside auditor, to review and test internal controls and procedures. The audit identified no exceptions, meaning it was a completely clean audit report.

Mr. Everhart reviewed the benefits of membership in the Florida Public Pension Trustees Association (FPPTA), an organization dedicated to providing education and information for and about public pension systems. The Board has belonged in the past, and he requested that the Board consider again joining for 2021.

Dwayne Stefanski made a motion to approve joining the FPPTA, to include authorizing payment of membership dues. Larry Cooper seconded the motion, approved by the Trustees 7-0.

6. PLAN FINANCIALS

a. Disbursements: Warrant Dated January 21, 2021

The Board reviewed the Warrant for payment of expenses dated January 21, 2021.

Larry Cooper made a motion to approve the Warrant dated January 21, 2021. Gail Biron seconded the motion, approved by the Trustees 7-0.

b. Benefit Approval: Dated January 21, 2021

John McEwen made a motion to approve the Benefit Approvals dated January 21, 2021. Gail Biron seconded the motion, approved by the Trustees 7-0.

7. OTHER BUSINESS

There was no further business discussed.

8. PUBLIC COMMENT

There was no public comment.

9. NEXT REGULAR MEETING

The Trustees previously set the schedule for the next regular quarterly meeting for Thursday, April 15, 2021 at 1:00 pm.

3. ADJOURNMENT

John McEwen made a motion to adjourn the meeting. Gail Biron seconded the motion, approved by the Trustees 7-0.

The meeting adjourned at 2:35pm.

Respectfully submitted,



Carmen Soto Torres, Secretary