

City of Gulfport General Employees' Pension Plan
Minutes: Meeting of January 19, 2023

1. CALL TO ORDER

Chair Larry Cooper called a meeting of the Board of Trustees for the Gulfport General Employees' Pension Plan to order at 1:00 PM

2. ROLL CALL

Those persons present included:

TRUSTEES

Larry Cooper, Chair
John McEwen, Secretary
Marjorie Milford
Mark Ottervanger
Dwayne Stefanski
Heather Wyble

OTHERS

Sara Carlson, Foster & Foster (Actuary)
Scott Christiansen, Christiansen & Dehner (Attorney)
Richelle Cook, American Realty Advisors (Senior Vice President)
Dale Everhart, Resource Centers (Administrator)
Jennifer Gainfort, AndCo Consulting(Consultant)
Cheryl Hannafin, City of Gulfport (Finance Director)
James O'Reilly, City of Gulfport (City Manager)

3. Approval Minutes: October 20, 2022

The Trustees reviewed the Minutes from the Quarterly Meeting of October 20, 2022.

John McEwen made a motion to approve the October 20, 2022 minutes. Dwayne Stefanski seconded the motion, approved by the Trustees 6-0.

4. REPORTS

A. Investment Consultant (Jennifer Gainfort, AndCo Consulting)

1. Quarterly Performance Report

Ms. Gainfort indicated that the quarter ending December 31, 2022 was positive. US GDP growth is expected to have remained strong in the 4th quarter. Globally, higher energy prices continue to be a deterrent in Europe. China is beginning to reopen its economy which should be a boost to emerging markets. The US Federal Reserve Bank increased interest rates 0.75% in November and 0.50% in December, and may do additional rate hikes as it deems necessary. In the US labor market, unemployment decreased to 3.5% in December, however, announced layoffs increased during the quarter.

US and international equity markets rebounded on expectations that inflation would continue to moderate. Large cap value stocks were the best performing domestic stock segment. The S&P 500 large cap benchmark returned 7.6% for the quarter, compared to 9.2% for the mid-cap and 6.2% for the small cap. International stocks also had strong returns. The MSCI EAFE Index returned 17.3% and the MSCI Emerging Markets increased by 9.7%. In fixed income, long-term interest rates remained relatively stable. Bond performance was aided by lower investor concerns about rising inflation. US high yield and corporate investment grade bonds led positive performance.

The market value of the Fund was \$17,667,337 as of December 31, 2022. There is no need to rebalance from an asset allocation standpoint. Asset income and appreciation for the quarter totaled \$1,209,769. Total fund gross return for the quarter was 7.29% vs the total fund gross policy return of 5.47%. Over the past year, the total fund gross return was -14.09%, compared to the gross policy return of -13.98%. For the last quarter, total equities returned 12.10% vs the gross policy return of 8.66%. Fixed income returned 3.04% for the quarter, compared to the gross policy return of 2.27%. Total real estate returns were -1.03% for the quarter, compared to the gross policy return of 2.25%. Private real estate returned -5.42%.

2. American Realty Advisors Portfolio Update (Richelle Cook)

Ms. Cook stated that American Realty Advisors is a diverse and targeted real estate fund, which started in 1987. It is 100% employee owned. It manages \$13 billion in assets. Gulfport General is an investor in its Core Property Fund, which has \$8.7 billion in assets. The Core Property Fund focuses in industrial, residential, office, retail, and specialty sectors such as self-storage. The Fund has no exposure to regional malls, outlets, or stand-alone retailers. The pension plan has invested \$750,000, and the net value of that investment was \$1,007,842 as of September 30, 2022. Anticipated gross annual return is 7-9%. The Core Fund has provided positive net returns in 16 of the past 18 years. There is presently a que to get in and out of the fund.

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

1. October 1, 2022 Actuarial Valuation

Ms. Carlson presented the results of the October 1, 2022 Actuarial Valuation. The minimum required contribution as a percent of the projected annual payroll was calculated to be 9.7%, an increase from 8.4% in the previous valuation. The City Required Contribution rate is 7%, a 1.3% increase from the previous valuation. The increase is mainly attributable to a fresh start of the unfunded liability amortization. Unfavorable plan experience included an average salary increase in excess of the assumption, and an investment return on an actuarial asset basis that was less than the return assumption. There was also a 3% cost of living adjustment effective October 1, 2021, for those receiving a monthly benefit on October 1, 2020.

The unfunded actuarial accrued liability is \$273,744, with the funded ratio of the plan being 98.6%.

John McEwen made a motion to approve the October 1, 2022 Actuarial Valuation. Marjory Milford seconded the motion, approved by the Trustees 6-0.

Chair Larry Cooper initiated a conversation concerning the current 2% benefit accrual rate. Discussion ensued. City Manager James O'Reilly was available to answer any questions on behalf of the City.

Larry Cooper made a motion to authorize an actuarial cost study that would detail the cost of increasing the benefit accrual rate for active members to 2.3%, 2.5%, and 3.0%, applicable to all years of service. John McEwen seconded the motion, approved by the Trustees 6-0.

The Board requested the cost study be prepared prior to its next meeting on April 20, 2023.

2. Declaration of Returns

John McEwen made a motion that based on the advice of its consultant, the Board declares that it expects the total expected annual rate of investment return for the fund next year, the next several years and the long-term thereafter, shall be 6.8%. Larry Cooper seconded the motion, approved by the Trustees 6-0.

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

Mr. Christiansen stated that the term of Board Trustee John McEwen ends on March 31, 2023. Lesley DeMuth, City Clerk, has been informed that Mr. McEwen is interested in continuing to serve. The matter will be brought before City Council.

Mr. Christiansen informed the Board that Ordinance 2022-11 had received final consideration on November 1, 2022 and was approved by City Council.

D. Administrator (Dale Everhart, Resource Centers).

Mr. Everhart informed the Board that Resource Centers retained an outside auditor to perform a System and Organization Control Audit, also known as a SOC 1 Type 2 Audit. The Audit provides reasonable assurance that controls at Resource Centers are operating effectively and appropriately protecting client data. These controls are tested in the course of the audit. The auditor identified no exceptions, meaning Resource Centers has a completely clean audit report.

Mr. Everhart informed the Board that Trustee Mark Ottervanger is resigning his Board seat. Mr. Ottervanger was thanked for his service on the Board. An election will be conducted for the Board seat. The term of that seat ends October 1, 2023.

5. PLAN FINANCIALS

A. Disbursements: Warrant Dated January 19, 2023

The Board reviewed the Warrant for payment of expenses dated January 19, 2023.

Marjory Milford made a motion to approve the Warrant dated January 19, 2023. John McEwen seconded the motion, approved by the Trustees 6-0.

B. Benefit Approval: Dated January 19, 2023

Larry Cooper made a motion to approve the Benefit Approval document dated January 19, 2023. Dwayne Stefanski seconded the motion, approved by the Trustees 6-0.

6. OTHER BUSINESS

There was no further business discussed.

7. PUBLIC COMMENT

There was no public comment.

8. NEXT REGULAR MEETING

The Trustees scheduled the next regular quarterly meeting for Thursday, April 20, 2023 at 1:00 pm.

The meeting adjourned at 2:06 pm.

Respectfully submitted,



John McEwen, Secretary