

## *City of Gulfport Police Pension Fund*

### **Minutes: Meeting of January 26, 2012**

#### **1. CALL TO ORDER**

Alex Falconeri called a meeting of the Board of Trustees for the Gulfport Police Pension Fund to order at 3:36 PM. The Board had a quorum for the quarterly meeting. Those persons present included:

##### TRUSTEES

Alex Falconeri, Chair  
Robert Burkhardt  
Josh Stone  
Larry Tosi (3:52 PM)

##### OTHERS

Scott Baur & JC Loussaint, Pension Resource Center  
Scott Christiansen, Christiansen & Dehner  
Andy Holtgrieve, Rockwood Capital Advisors  
Jack Evatt, The Bogdahn Group  
Patrick Donlan, Foster & Foster  
Patrick T. O'Hara, Agincourt

##### TRUSTEES NOT PRESENT

Jim Thaler

#### **2. APPROVAL OF MINUTES**

**Josh Stone made a motion to approve the minutes of the October 27, 2011 meeting as submitted. Robert Burkhardt seconded the motion. Motion carried 3-0.**

#### **3. INVESTMENT REPORT**

##### **Fixed Income (Patrick O'Hara, Agincourt)**

Mr. O'Hara introduced himself and gave an overview of his firm, Agincourt, located in Richmond, VA. The firm has just over \$4.3 billion under management in fixed income assets for 122 clients. Agincourt is 100% employee owned and has the same consistent value based investment philosophy that this plan has been accustomed to over the years. There has been no change to the investment team since the firm was hired by the plan six years ago. All investment decisions are made by this team. He reported the sector performances in the fixed income market for the quarter and the 2011 calendar year. The various bond classes underperformed treasuries during the year.

The portfolio returned 1.41% for the quarter and 7.51% for the calendar year, exceeding the benchmark by a slight margin. Mr. O'Hara sees continued unemployment coupled with low inflation going forward. The portfolio overweights to corporates, with the biggest sector weighting to industrials. Agincourt is recently finding better yields in the corporate issues. The firm avoids debt issues in Europe. Agincourt is neutral to agency (mortgage) debt, since government purchasing pressure makes today long-term performance of the securities more unpredictable. About 9% of the portfolio is currently invested in foreign debt.

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### **Equity (Andy Holtgrieve, Rockwood Capital Advisors)**

Mr. Holtgrieve does not see any quick resolution to the European debt crisis. Further commenting on the market, he noted actions by the Fed as well as issues in Europe and remaining challenges to the economy. He commented that Fed action will eventually create a price to pay in the market as well. For the fourth quarter of 2011, the portfolio returned 13.4%. He reviewed the objectives and strategy used by Rockwood to manage the portfolio. Rockwood manages an all-cap mandate by identifying trends in the market coupled with fundamental research on individual issues. The portfolio typically lags in performance at market inflation points, changes from up or down market trends. The plan currently underweights ADR's in a more defensive posture against continued uncertainty in the market. Mr. Holtgrieve reviewed individual holdings in the portfolio, along with relative performance of various market sectors. He observed that hedge funds had a terrible year with average losses of 19.08%.

### **Investment Consultant (Jack Evatt, The Bogdahn Group)**

Mr. Evatt observed that the plan made back some losses from the previous quarter. He reviewed the performance of the market during the fourth quarter of 2011. He then reviewed the performance of the portfolio for the same time period. The plan had total assets of \$3,519,465 as of December 31, 2011. The assets returned 7.69% (7.02% net) for the period, compared to the benchmark of 6.5%. The plan ranked in the top 14% of US pension plans for 2011. For 2011, the plan portfolio returned 1.15% (.64% net) compared to the benchmark of 1.77%. Mr. Evatt then reviewed compliance with Investment Policy objectives. He reported that we temporarily replaced the ADR portfolio with a Vanguard indexed fund. He provided additional portfolio options as well. He listed the kinds of parameters for evaluating a final replacement for the ADR portfolio. The board will consider these options at their next quarterly meeting.

### **Foster & Foster Impact Statement (Patrick Donlan, Foster & Foster)**

Patrick Donlan provided an impact statement for the 2.88% multiplier, which must now reduce to 2.83% based on the available state monies. Jan 1, 2012. Alex Thereford get - 2.83% multiplier, but his benefit will have to go up. Adams & Taylor will need to get decreases retroactive to January 1, 2012. Mr. Donlan provided the valuation in tab lets. The funding requirement to the City increased from 18.5% to 22.3?5?% with total contribution increasing from 31% to 35.4%. He reviewed four year smoothing, where the plan right now has an average four year investment return on -.53%. The 2008 loss will drop out of the average for the next valuation. The turnover of members was in line with expectations. Salary, meanwhile, increased only .3% contributing some positive experience to potentially offset the negative investment performance. The funded ration is 92% by the State calculation; 87% per the Foster & Foster (actuarial) valuation.

**Josh Stone made a motion to approve the valuation as submitted and direct Mr. Donlan to submit it to the State. Robert Burkhart seconded the motion. Motion carried 4-0.**

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### **4. ADMINISTRATOR REPORT: Scott Baur (Pension Resource Center)**

PLAN SURVEY: Mr. Baur reported that Resource Center conducted an exhaustive plan survey and the detailed result, good and bad, is included in the meeting packet for the Board's review. Mr. Baur thanked the Board for taking their time to respond to the client survey. Overall, the response was positive and in cases where the result is not as positive, Mr. Baur notes that Resource Center takes the feedback very seriously. On a scale of 1 to 5, the overall result was about 4.8 out of 5 for the people that we work for. The area that appeared to be needing improvement was the area of communication and Mr. Baur again emphasized that Resource Center takes the Board feedback seriously.

SSAE-16 TYPE II AUDIT: MR. Baur reported that The Pension Resource Center just completed and updated what's known as SSAE-16 audit which used to be the SAS 70 audit. Most administrator companies do not employ such a rigorous audit, but we find it is a very helpful process to examine our internal processes and procedures. The external review and guidance can only result in a superior service to our clients. As soon as he has the final document Mr. Baur will forward it to the board.

DMS Summary

### **5. ATTORNEY REPORT (Scott Christiansen, Christiansen & Dehner)**

Board appointment to the fifth trustee position.

**Rob Burkhart made a motion to appoint Alex Falconeri to the Fifth Trustee position on the Board and request the Administrator to notify the City of the appointment. Larry Tosi seconded the motion. Motion carried 3-0 (Alex Falconeri abstained from voting).**

#### **TAX DETERMINATION LETTER**

The tax determination letter is still in the works, ? update. DROP plans receive more scrutiny, while this plan has a PLOP provision. Mr. Christensen explained the PLOP (Partial Lump Sum Option Plan). People retiring can choose to receive a one time lump-sum distribution (cash payment) in exchange for a reduced lifetime monthly benefit. The person's age and plan of retirement are used to determine the reduction in benefit. A PLOP distribution will be made as a single payment at the time the first monthly benefit is paid. Based on the amount of the PLOP, the monthly retirement benefit is then reduced to be the actuarial equivalent of the retirement benefit without a lump-sum distribution.

Josh executed the Foster & Foster contract amendment.

Mr. Christiansen updated the board regarding pending legislation. The legislation includes proposals to modify the qualification for presumption. Another bill creates a watch list for plans based on the funded ratios. Due to districting, the various bills may

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not pass this year. The Disability Presumption Task Force issued about 25 separate recommendations.

### EXPECTED RATE OF RETURN

Mr. Christiansen mentioned that the State requires an expected rate of return. Mr. Evatt recommends that the current rate of 8% is a reasonable expected rate of return.

**James Thaler made a motion to keep the Fund's expected rate of return at 8%. Josh Stone seconded the motion. Motion carried 4-0.**

Mr. Christiansen reported that both bargaining units entered new agreements as of October 1, 2011. He reviewed the proposed ordinance required for state mandated limits on overtime, sick and vacation hours in fas as of next contract date. The contract for the police officers will continue for another two years. The ordinance includes an language operations for the definition of actuarial equivalence.

**Alex Falconeri made a motion to approve the ordinance and request Mr. Christensen to submit it to the City Manager on behalf of the Board. Rob Burkhart seconded the motion. Motion carried 4-0.**

The Board discussed impacts to the plan from adopting the ordinance—it was determined that the new ordinance has no immediate change at this time since limits take effect in the future.

## **6. PLAN FINANCIALS**

Mr. Baur provided the Warrant dated January 26, 2012 for review and approval by the Trustees.

**Josh Stone made a motion to approve the Warrant as submitted. Robert Burkhart seconded the motion. Motion carried 4-0.**

The Trustees reviewed the Benefit Approvals.

**Josh Stone made a motion to approve the Benefit Approvals as submitted. Robert Burkhart seconded the motion. Motion carried 4-0.**

## **7. OLD BUSINESS**

## **8. NEW BUSINESS**

## **9. NEXT REGULAR MEETING**

The Trustees previously set the schedule for the next regular quarterly meeting on Thursday, April 26, 2012 at 1:00 pm.

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**10. ADJOURNMENT**

**There being no further business, a motion was made by Alex Falconeri to adjourn. Motion seconded by Robert Burkhart. Motion carried 4-0. The meeting was adjourned at 5:14 PM.**

Respectfully submitted,

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Josh Stone, Secretary