

## *City of Gulfport Police Pension Fund*

### **Minutes: Meeting October 24, 2013**

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

Alex Falconeri called a meeting of the Board of Trustees for the Gulfport Police Pension Fund to order at 3:34 PM. Those persons present included:

##### TRUSTEES

Alex Falconeri, Chairman  
Josh Stone  
Wes Whittaker

##### OTHERS

Scott Baur & Pam Nolan, Pension Resource Center  
Jack Evatt, The Bogdahn Group  
John Hamlin, Dana Investment Advisors  
Scott Christiansen, Christiansen & Dehner

#### **2. PUBLIC COMMENT - None**

#### **3. APPROVAL OF MINUTES**

**Wes Whittaker made a motion to approve the minutes of the July 25, 2013 meeting as submitted. Josh Stone seconded. The motion passed 3-0.**

#### **4. INVESTMENT REPORT**

##### **Dana Investment Advisors Portfolio Review, John Hamlin**

Mr. Hamlin reviewed the market performance, noting the S&P was up 5.25% for the quarter, but 19.34% for the 2013 fiscal year. The portfolio returned 5.08% for the quarter, and was up 20.95% for fiscal year 2013. He reiterated Dana's strategy of being sector neutral and seeking cheap stocks with high dividends. They strive to not only perform well in an up market, but minimize loss in down markets. The economic outlook is still very strong, with continued strong GDP. Real estate is doing very well across the country, and especially in Florida. The auto industry is looking strong, and the consumer sector may also fare well if cash breaks loose and there is an increase in hiring. With housing on the rise, new construction will also mean more jobs. Employment is taking a long time to recover, partly due to technical and productivity gains, but also due to uncertainty about government/economic policies. Slow, steady growth will lower the threat of inflation. Overall, the market may experience some kind of correction, but the long term outlook is positive.

##### **Total Portfolio Review – Jack Evatt, The Bogdahn Group**

Mr. Evatt noted that the market did well in the third quarter of 2013, noting that there was even a positive return in the fixed market after two negative quarters. Small and Mid-cap domestic equities did very well. The fund's return for the quarter was 4.26%. Dana and Rockwood at 5.59% were close to their benchmark; international equities did very well at 10.28% and the Agincourt closed the quarter at 0.80%, which was above the fixed benchmark of 0.57%.

For the fiscal year, the fund started out with \$7.22M in September of 2012 and ended up with \$7.59M in assets as of September 20, 2013. The fund ended the fiscal year with an 11.11% return. This far exceeded the plan's targeted 8% rate of return. The plan will still exceed the target after the four year smoothing is applied.

Mr. Evatt will be reviewing the Investment Policy Statement for the next meeting, as it was last reviewed in 2010.

## *City of Gulfport Police Pension Fund*

**Meeting October 24, 2013**

**Page 2 of 3**

The Board reviewed the September 30, 2013 statement from ConvergeEx for their recapture services. Mr. Evatt noted that the recapture services are not as valuable these days since commissions are so low. Mr. Hamlin noted that Dana runs 100% of its trades through ConvergeEx. Ms. Nolan will review the deposits from ConvergeEx to see if their statement reflects the percentage on commission or the commission amount.

### **5. ATTORNEY REPORT – Scott Christiansen, Christiansen & Dehner**

Mr. Christiansen reviewed the proposed meeting dates for 2014, which met with the Board's approval. The Board moved the meeting start time to 3PM in 2014.

Mr. Christiansen advised that the City Council is to receive a copy of the Plan's fiscal year end report. Ms. Nolan will forward it to the City for submission to the City Council.

Mr. Christiansen advised the Board that the State Division of Retirement has made a ruling that allows Cities to move to the Florida Retirement system for all new employees and offer existing pension plan participants the option to either move to FRS or stay in the local plan. This ends the use of State money for the local plan however. Palm Beach Gardens moved to FRS, but has challenged the restriction on State money for their legacy pension plan, at least until the plan is fully funded.

### **6. ADMINISTRATOR REPORT - Scott Bauer & Pam Nolan, Pension Resource Center**

Ms. Nolan provided the Board with information regarding the upcoming Financial Seminar in Punta Gorda on December 6, 2013. Mr. Evatt has some new Trustee material that he will provide for new Trustees as well. Ms. Nolan will post the material received from The Bogdahn Group and Christiansen & Dehner in the Trustee Resources section of the plan's website under Trustee Links.

### **7. PLAN FINANCIALS**

**Josh Stone made a motion to approve the Warrant dated October 24, 2013 as submitted. Wes Whittaker seconded. The motion passed 3-0.**

There were no Benefit Approvals since the last meeting.

### **8. OLD BUSINESS**

Patrick Donlan, Foster & Foster, joined the meeting by phone to address recommendations in a letter from the State accepting the Plan's 2010, 2011 and 2012 Actuarial Valuations. The State made recommendations regarding the interest rate of return, mortality and early retirement assumptions used for future Actuarial Valuations and also recommended inclusion of the balance of accumulated employee contributions with interest in future valuations. Mr. Christiansen inquired if a response was required. Mr. Donlan advised that making any changes to the next Actuarial Valuation was all that necessary.

Mr. Donlan noted that Foster & Foster had done a small study on early retirement assumptions which found that changing from 5% to 10 % did not have a material effect on the Actuarial Valuation. The Board agreed that this would be addressed after a more extensive experience study was available. The recommendation regarding interest on employee contributions was dismissed as the plan does not pay interest on accumulated contributions.

## *City of Gulfport Police Pension Fund*

**Meeting October 24, 2013**

**Page 3 of 3**

Much discussion ensued regarding the plan rate of return. It has been noted that the State Division of Retirement has not been happy with 8% for the past few years. A review done by Milliman cited a 7.75% rate of return and the FRS uses 7.75% as well. Mr. Donlan advised that if the Board would like to lower the rate of return, the 2013 valuation would be a good time to do it since the very favorable actual return would probably offset any negative impact to the City. Mr. Evatt pointed out that if the plan continued to actually yield 8% or higher, exceeding the 7.75% rate of return would have a favorable effect on the City's contribution. The Board discussed having a Special Meeting to review the impact of changing the rate of return and requested Patrick Donlan to prepare the 2013 Actual Valuation with an 8 % and a 7.75% rate of return to see the effect on the City's contribution. The Board will adopt the 7.75% rate of return when they review the Actual Valuation as long as the City's contribution is not increased as a result of this change.

The Board next addressed the payroll increase rate. Mr. Donlan noted that the current payroll increase rate did not match the actual increase rate for the past few years. Josh Stone inquired what effect changing this rate would have on the City's contribution. Mr. Donlan advised that it would lower the funding requirement from the City. Wes Whittaker inquired where the fiduciary responsibility of the Trustees lies in this case. Mr. Christiansen advised that being as close to reality as possible is the reason for the experience studies and is the most sound policy for the Board. Wes Whittaker noted the concern between holding the City's costs down while maintaining the long term health of the plan. Josh Stone noted that being closer to the actual pay rate increase would ensure the City doesn't pay too much. Mr. Evatt noted that the earnings outlook is fairly positive for the plan at this time.

**Josh Stone made a motion to reduce the Salary Increase assumption from 7% to 6% for the 2013 Actuarial Valuation. Wes Whittaker seconded. The motion passed 3-0.**

### **9. NEW BUSINESS - None**

### **10. NEXT MEETING**

The Board has previously approved January 23, 2014 as the next meeting date.

### **11. ADJOURNMENT**

**There being no further business, Wes Whittaker made a motion to adjourn the meeting at 4:51 PM. Josh Stone seconded. The motion passed 3-0.**

Respectfully submitted,

---

Josh Stone, Secretary